



THE FEDERAL REPUBLIC OF SOMALIA

OFFICE OF THE AUDITOR GENERAL



Consolidated Compliance Audit Report on Non-Security Sector Entities for the Year Ended 31 December, 2018

  @oagsomalia  oag@oag.gov.so  www.oag.gov.so

 Villa Somalia
Mogadishu, Somalia



**The Federal Government of Somalia
Office of the Auditor General**

Ref: OAG/AG -078/2019

Date: 30/06/2019

The Office of the President,
The Federal Government of Somalia,
Villa Somalia
Mogadishu Somalia

Consolidated Compliance Audit Report on Non-Security Sector Entities- 31 December 2018

Your Excellency the President,

I am pleased to submit consolidated Compliance Audit Report for non-security sector entities of the Federal Government of Somalia for the year ended 31 December 2018.

Non-submission of accounts for financial audit

As provided in law no. 2 of 29 December 1961 "Financial & Accounting Procedure of the State", and as required by Article 37 of the same law, every officer or agent managing public finances of the State are to render accounts.

The Accountant General is required by Article 40 (1) of the same law to transmit the accounts to the Auditor General for audit as stipulated in Article 40(2). Regrettably, the agencies of the Federal Government of Somalia managing public funds have not submitted accounts for the year ended 31 December 2018 for audit to the Accountant General. Consequently, I have therefore advised the Accountant General to prepare Government Accounts in accordance with the international regulations and the laws of this Country, and submit them for audit.

Compliance Audit Reports

This report is based on risk assessments on the audited security sector institutions and 20 non-security sector institutions, which we duly communicated with their individual findings.

Auditing Standards

As an independent Office of the FGS as enshrined in Article 114 of the Provisional Constitution of the Federal Republic of Somalia, and in accordance with the Law 34 of Magistrates of Accounts (in particular sections 6, 7, 8, 9, 13 and 17), I conducted the audits in accordance with the International Standards of Supreme Audit Institutions (ISSAI). The Office of the Auditor General (OAG) is a member of the International Organization of Supreme Audit Institutions (INTOSAI), AFROSAI, AFROSAI-E and ARABOSAI.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Acknowledgements

Your Excellency, I would like to thank you, respective excellences of various ministries, departments and agencies audited. Special thanks go to various staff of the entities who provided information, explanations and support during the course of my audit.

Yours sincerely,

Mohamed M. Ali

**Auditor General
Federal Republic of Somalia**

**Cc: The Office of the Prime Minister, the Federal Government of Somalia
Cc: The Speaker, House of the People, of the Federal Republic of Somalia
Cc: The Speaker, the Senate of the Federal Republic of Somalia**

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

TABLE OF CONTENTS

1.	MINISTRY OF FINANCE	6
1.1	Financial Reporting	6
1.2	General Financial Management	7
1.3	Asset Management	11
1.4	Registration of Contracts.....	14
1.5	Internal Audit	15
1.6	Procurement Management.....	16
2	OFFICE OF THE ACCOUNTANT GENERAL.....	18
2.1	Financial Reporting	18
2.2	General Financial Management	19
2.3	Asset Management	20
2.4	Registration of Contracts.....	23
2.5	Internal Audit	24
2.6	Procurement Management.....	25
3	MINISTRY OF PLANNING	27
3.1	Financial Reporting	27
3.2	General Financial Management	28
3.3	Asset Management	30
3.4	Internal Audit	32
4	MINISTRY OF FOREIGN AFFAIRS	35
4.1	Financial Reporting	35
4.2	General Financial Management	36
4.3	Asset Management	39
4.4	Registration Of Contracts.....	42
4.5	Internal Audit	43
5	MINISTRY OF HUMANITARIAN AFFAIRS & DISASTER.....	47
5.1	Financial Reporting	47
5.2	General Financial Management	48
5.3	Asset Management	50
5.4	Registration of Contracts.....	53
5.5	Internal Audit	53
6	MINISTRY OF TRANSPORT & CIVIL AVIATION.....	56
6.1	Financial Reporting	56
6.2	General Financial Management	57
6.3	Asset Management	60
6.4	Registration of Contracts.....	62
6.5	Internal Audit	63
7	MINISTRY OF POSTS & TELECOMMUNICATION.....	66
7.1	Financial Reporting	66
7.2	General Financial Management	67
7.3	Asset Management	69
7.4	Registration of Contracts.....	72
7.5	Internal Audit	73
8	MINISTRY OF PORTS & MARINE TRANSPORT	76
8.1	Financial Reporting	76

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

8.2	General Financial Management	77
8.3	Asset Management	78
8.4	Registration of Contracts.....	80
8.5	Internal Audit	81
9	MINISTRY OF HEALTH	83
9.1	Financial Reporting	83
9.2	General Financial Management	84
9.3	Asset Management	86
9.4	Registration of Contracts.....	89
9.5	Internal Audit	90
10	MINISTRY OF EDUCATION.....	92
10.1	Financial Reporting	92
10.2	General Financial Management	93
10.3	Asset Management	93
10.4	Management of Government Schools.....	97
10.5	Internal Audit	97
11	MINISTRY OF FISHERIES & MARINE RESOURCES	100
11.1	Financial Reporting	100
11.2	General Financial Management	101
11.3	Asset Management	103
11.4	Registration of Contracts.....	105
11.5	Internal Audit	106
12	SOMALI CIVIL AVIATION AND METEOROLOGY AUTHORITY.....	109
12.1	Financial Reporting	109
12.2	General Financial Management	110
12.3	Asset Management	112
12.4	Registration of Contracts.....	114
12.5	Internal Audit	115
12.6	Procurement Management.....	116
13	SOMALI NATIONAL UNIVERSITY	118
13.1	Financial Reporting	118
13.2	General Financial Management	119
13.3	Asset Management	120
13.4	Registration of Contracts.....	122
13.5	Internal Audit	123
14	BANADIR REGIONAL AUTHORITY.....	125
14.1	Financial Reporting	125
14.2	General Financial Management	126
14.3	Registration of Contracts.....	129
14.4	Internal Audit	129
14.5	Procurement Management.....	130
15	MOGADISHU SEAPORT	132
15.1	Financial Reporting	132
15.2	General Financial Management	133
15.3	Asset Management	134
15.4	Internal Audit	138
16	SOMALI PRISON FORCES	140

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

16.1	Financial Reporting	140
16.2	Legal and Regulatory Aspects	141
16.3	Human Resources Management	142
16.4	Payroll Preparation and Management.....	143
16.5	General Financial Management	146
16.6	Asset Management	148
16.7	Vehicle Management	150
16.8	Internal Audit	152
16.9	Procurement Management.....	152
17	OFFICE OF THE PRIME MINISTER	155
17.1	Financial Reporting	155
17.2	General Financial Management	156
17.3	Asset Management	157
17.4	Registration of Contracts.....	161
17.5	Internal Audit Function	162
17.6	Procurement Management.....	162
18	OFFICE OF THE PRESIDENT	165
18.1	Financial Reporting	165
18.2	General Financial Management	166
18.3	Asset Management	167
18.4	Internal Audit	169
19	HOUSE OF THE PEOPLE –LOWER HOUSE	171
19.1	Financial Reporting	171
19.2	General Financial Management	172
19.3	Asset Management	174
19.4	Registration of Contracts.....	177
19.5	Internal Audit	178
19.6	Procurement Management.....	179
20	SENATE – UPPER HOUSE	181
20.1	Financial Reporting	181
20.2	General Financial Management	182
20.3	Asset Management	184
20.4	Registration of Contracts.....	187
20.5	Internal Audit	188

Consolidated Compliance Audit Report – Non-Security Sector Entities
For the year ended 31 December 2018

MINISTRY OF FINANCE

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

1. MINISTRY OF FINANCE

1.1 Financial Reporting

1.1.1 No annual accounts submitted for audit for FY 2018

1.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State” which was amended 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

1.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Statement of financial assets and liabilities
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Finance, as a Ministry, is required by law to submit annual accounts for audit, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

1.1.1.3 Risks

The Ministry of Finance has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail in its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

1.1.1.4 Recommendations

The Ministry of Finance should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

1.2 General Financial Management

1.2.1 Several payments amounting US \$142,476.76 were made without adequate supporting documents

1.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

1.2.1.2 Observations

There were some payments that were made during the year that were not fully supported. There was an expenditure of US \$142,476.76 that was paid for the months of March, August, October and November which were charged to sub-heads of 2261 and 2314 without supporting documents.

Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier. Details are as below: -

No	Voucher number / subhead	Recipient of payments	Months in 2018	Amount US \$
1	2261	Various recipients	March, Oct and Dec 2018	62,290.00
2	2314	Various recipients	August 2018	80,186.78
Total payments				142,476.78

1.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

1.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

The above payments should be reviewed and regularised. Any financial losses should be made good by responsible officers.

1.2.2 Some payments were wrongly charged to the contingency sub-head without adequate supporting documents.

1.2.2.1 Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961, Article 24 requires that every payment shall have supporting documents attached to payment request to justify the payment.

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”.

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the minister of finance approves, then the changes be affected.

1.2.2.2 Observations

The total payment of US \$286,093.44 charged to the Contingency Sub-head did not go through the legal process for internal allocation of funds after obtaining formal approval of the Minister of Finance. The above expenses were charged directly to the Contingency sub-head which are a violation of the law and procedures.

Furthermore, the payments did not have adequate supporting documents attached to payment requests. Summary details are provided in the table below:-

Expenditures charged to the Contingency sub-head without internal re-allocation of funds

No	Sub-head	Used for	Amount US \$
1	2821 – Contingency sub-head charged or debited	Health	65,768.52
2		Travel	74,840.92
3		Various services	45,720.00
4		Health and services	35,690.00
5		Renovation	35,118.00
6		Rent	9,556.00
7		Various services	19,400.00
Total			286,093.44

1.2.2.3 Risks

Payments without adequate supporting documents could result into loss of public funds.

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

1.2.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized.

1.2.3 Unauthorized Internal re-allocation of funds – US \$235,159.92

1.2.3.1 Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”.

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the Minister of finance approves, then the changes be affected.

1.2.3.2 Observations

During the audit we noted that funds in sub-heads of 2261, 2314 and 2221 of the Ministry budget were used for expenditures that were not originally budgeted for.

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was granted.

The total amount in question was US \$235,159.92. Besides, there were no adequate supporting documents for some of the payments.

Summary details of the payments – US \$235,159.92

No.	Sub-head	Used for	Months in 2018	Amount US \$
1	2261	Various services of the Ministry	March & May	60,005.00
2	2314	Various services	May	22,263.00
3	2314	Guest accommodation	June	36,263.00
4	2261	Cleaning, Electricity and	August	16,398.40
5	2261	Army registration in Hirshabelle	November	18,910.00
6	2261	Renovation of the Ministry	November	27,770.00
7	2261	Equipment and computers registered on the Civil Servants.	November	30,562.00
8	2221	Tickets	December	15,000.00

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

9	2261	Tickets	March & Dec	7,988.52
Total				235,159.92

1.2.3.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

1.2.3.4 Recommendations

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

1.2.4 Travel costs lack adequate supporting documents

1.2.4.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

1.2.4.2 Observations

Under the budget line for travel costs, a total amount of US \$141,921.73 was spent as travel costs without adequate supporting documents.

These payments were made to various recipients, a travel agent and hotels. The payments did not have one or more of the following supporting documents such as: (a) approved local purchase for the tickets; (b) evidence of authorization for travels made; (c) supplier invoices and or acknowledgement receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances in cases of travel advances made.

1.2.4.3 Risks

Some payments were made for travels that were never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

1.2.4.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All payment documents should be stamped as “PAID” as soon as payments have been effected (or cancelled as paid) to prevent their use in support of further payments.

1.3 Asset Management

1.3.1 Lack of fixed Asset register

1.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a centralized level of computerized fixed asset register is in place that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

1.3.1.2 Observations

There is no fixed asset register in the Ministry of Finance.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

1.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

1.3.1.4 Recommendations

The Ministry of Finance should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

1.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

1.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

1.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

1.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoF may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

1.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

1.3.3 There is no register for office equipment of the Ministry

1.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

1.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

1.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

1.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

1.3.4 There are weak controls over Ministry vehicles

1.3.4.1 Best Practice

All vehicles of the Ministry of Finance have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

1.3.4.2 Observations

During the course of our audit there were several vehicles reportedly for the Ministry of Finance but were not registered in the name of the Ministry.

The management of the Ministry provided a list of 23 vehicles of the Ministry to the audit team. 3 vehicles could not be physically verified at the time of the audit; only 20 vehicles were inspected.

There were some vehicles which had been away for private use without formal transfer of ownership.

List of vehicles that were presented

No	Vehicle type	Source of funds	Chassis No	Comments
1	TOYOTO HILUX PICK UP	Bought by MoF	Not seen	Not physically verified
2	BULET PROOF	Bought by MoF	Not seen	Not physically verified
3	ALION TOYOTA	Bought by MoF	Not seen	Not physically verified
4	TOYOTO HILUX PICK UP	Bought by MoF	MRO33LNGG907819867	Physically verified
5	TOYOTO HILUX PICK UP	Bought by MoF	MROHB8CD1G0471841	Physically verified
6	TOYOTO HILUX SURF	Bought by MoF	K2W1850054730	Physically verified
7	TOYOTO HILUX PICK UP	Bought by MoF	MROHB8CDOGO472138	Physically verified
8	TOYOTO LAND CRUISER	Bought by MoF	JTMHV09J7C4084573	Physically verified
9	TOYOTO HILUX PICK UP	Bought by MoF	MROHB8CD2G0471444	Physically verified
10	TOYOTO HILUX PICK UP	Bought by MoF	MROHX8CD5H0920036	Physically verified
11	TOYOTO HILUX PICK UP	Bought by MoF	MROFR22GXF0739442	Physically verified
12	TOYOTO PRADO	Bought by MoF	KZJ78-0025731	Physically verified
13	TOYOTO LAND CRUISER	Bought by MoF	HDJ81-0037348	Physically verified
14	TOYOTO NOAHA 4WD	Bought by MoF	SR50-0093919	Physically verified
15	TOYOTO HILUX PICK UP	Bought by MoF	MROHX8CD7G0888186	Physically verified

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

No	Vehicle type	Source of funds	Chassis No	Comments
16	TOYOTO HILUX PICK UP	Bought by MoF	MROFR22G1C0674931	Physically verified
17	TOYOTO HILUX PICK UP	World Bank	MROHS8CD900722143	Physically verified
18	CARIB TOYOTO	Bought by MoF	AE115-0053114	Physically verified
19	NOAHA TOYOTO	Bought by MoF	SR50-0082546	Physically verified
20	TOYOYO HILUX PICK UP	World Bank	MROFR22GXEO708917	Physically verified
21	TOYOTO HILUX	World Bank	MRDBZ8CD200104390	Physically verified
22	TOYOYO HILUX PICK UP	World Bank	MROFR22G9E0718144	Physically verified
23	TOYOYO HILUX PICK UP	World Bank	MROHB8CD2C0600234	Physically verified

1.3.4.3 Risks

Internal controls over the management and movement of the Ministry vehicles are very weak. Not all movements of Ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Ministry vehicles may be diverted for private use.

1.3.4.4 Recommendations

All Ministry vehicles should have log books and registered in the name of the Ministry, and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

The vehicles that have been issued for private use should be returned back to the Ministry intact.

1.4 Registration of Contracts

1.4.1 Some contracts were not registered with the Office of the Auditor General

1.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

1.4.1.2 Observations

During the course of the audit, management of the Ministry didn't register all contracts relating to the implementation of SFMIS, including contracts with consultants who operate on the SFMIS. There are also professional staffs or

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

consultants who manage the SFMIS outside the country but whose contracts have never been registered with the Office of the Auditor General.

1.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

1.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

1.5 Internal Audit

1.5.1 Regularity of Internal Audit

1.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

1.5.1.2 Observations

In 2018 it was noted that there was no internal audit function carried out in the Ministry.

There were no periodic internal audits conducted in the MoF.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

1.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

1.5.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Finance.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

1.6 Procurement Management

1.6.1 The Ministry did not follow Procurement Law

1.6.1.1 The Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including MoF.

1.6.1.2 Observation

The MoF did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

1.6.1.3 Risks

The MoF is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

1.6.1.4 Recommendations

The MoF must comply with the procurement law and regulations.

OFFICE OF THE ACCOUNTANT GENERAL

2 OFFICE OF THE ACCOUNTANT GENERAL

2.1 Financial Reporting

2.1.1 No complete annual accounts submitted for audit for FY 2018

2.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts.

Article 40 requires the Accountant General to prepare and or submit accounts for audit, with or without comments. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State 317” which was amended 1971.

Article 155 specifically requires the Accountant General, at the close of the financial year, to prepare annual accounts of the State and submit for audit by 30 April in the year following that to which the accounts relate.

The accounts of the State include those listed in Article 156 and taking into account typically includes the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes
- vi. Statement of financial assets and liabilities
- vii. Statement of Public debt
- viii. Statement of all public funds, outstanding loans made by the State, and other statements that may be required by Parliament.

2.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.
- vi. Statement of financial assets and liabilities (*optional under cash-basis IPSAS*).

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

- vii. Statement of third party receipts and payments on behalf of the FGS (optional under cash-basis IPSAS).

2.1.1.3 Post-due date of submission of annual accounts for audit

According to the law, the due date for submission by the Office of the Accountant General is 30 April 2019 in respect of the financial year ended 31 December 2018. The Office of the Accountant General has made 3 submissions. The first submission was made on 28 April and were found to have not been prepared in accordance with international accounting standards, in particular cash basis - International Public Sector Accounting Standards (IPSAS) and was also not in compliance with the current laws.

On the advice of the Auditor General, the Accountant General's Office made a second submission on 19 June 2018 past the due date for submission. Although the second submission (based on Cash-Basis IPSAS), was much better than the first one, it had material inaccuracies.

The second submission was superseded by a third submission of annual financial statements for the Federal Government of Somalia made on 14 August 2019 which much better aligned to but not compliant with the cash basis-IPSAS (2017 edition).

2.1.1.4 Risks

The Office of the Accountant General has partially complied with both the law and international standards in preparing and submitting annual accounts for the financial year ended 31 December 2018 to the Auditor General for audit.

The submissions were post due dates and there is a risk of non-compliance with the law contributing to the risk of delayed transparency and accountability of public funds for the year ended 31 December 2018 by the FGS. There is a risk that Parliament may not be able to exercise its financial oversight over public finances of the FGS for the financial year ended 31 December 2018 in a timely manner, and ensure execution of approved budget resulted into for service delivery.

2.1.1.5 Recommendations

The Office of the Accountant General should prepare a complete set of financial statements for the FY 2018, fully reconciled and re-submit for audit.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point.

This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term and is adequately resourced.

2.2 General Financial Management

2.2.1 Travel costs lack adequate supporting documents

2.2.1.1 The Law

Law no. 2 of the "Financial & Accounting Procedure of the State" of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

2.2.1.2 Observations

Under the budget line for travel costs, a total amount of US \$27,500.00 was spent as travel costs without adequate supporting documents.

The payments did not have one or more of the following supporting documents such as: (a) purchase orders or requisition order, (b) boarding passes for travels, (c) evidence of authorization for travels made, (d) supplier invoices or receipts, (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances.

2.2.1.3 Risks

Some payments might have been made for travels that were never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

2.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been effected (or cancelled as paid) to prevent their use in support of further payments.

2.3 Asset Management

2.3.1 Fixed Asset register

2.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a centralized level of computerized fixed asset register is in place that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

2.3.1.2 Observations

There is no fixed asset register in the Office of the Accountant General. There is no evidence that fixed assets of the Accountant General were physically verified recently to ascertain their existence, condition, value and location among other matters.

2.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Office of the Accountant General may take long to be detected and recovered. The assets of the Office may be diverted for private use.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

2.3.1.4 Recommendations

The Office of the Accountant General should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Accountant General are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

2.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

2.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

2.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

2.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Office of the Accountant General may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

2.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Accountant General to follow.

2.3.3 There is no register for office equipment of the Office of the Accountant General

2.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All office equipment of the Office is recorded in the fixed asset register of the Accountant General.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Office is assigned a unique identification number (tagged) for easy identification.

2.3.3.2 Observations

There is no register of office equipment and stores of the Office of the Accountant General are recorded.

Office equipment of the Office of the Accountant General is not tagged with unique identification numbers for easy identification.

There was no evidence that the Office of the Accountant General has carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

2.3.3.3 Risks

In the absence of a register of fixed assets in the Accountant General or FGS , controls over the movement of office equipment of the Accountant General are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Office of the Accountant General.

2.3.3.4 Recommendations

The Accountant General should establish a fixed asset register to record all assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Accountant General should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

2.3.4 There are weak controls over vehicles of the Office of the Accountant General

2.3.4.1 Best Practice

All vehicles of the Accountant General should have log books, and vehicles are registered in the name of the Accountant General.

An approved policy for management of Accountant General vehicles is in place and adhered to.

All Accountant General Vehicles are recorded in the in the fixed asset register as above.

2.3.4.2 Observations

During the course of our audit there were 2 vehicles reportedly for the Accountant General Office which were not registered in the name of the Ministry of Finance.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There were some vehicles which had been away for private use without formal transfer of ownership.

List 2 vehicles that were presented

No	Vehicle type	Source of vehicle	Chassis No	Comments
1.	Toyota Noah	Bought by the Office of the Accountant General	0247065041	Physically verified by the auditors, not registered in the name of MoF
2	Toyota Surf	Bought by the Office of the Accountant General	Not seen	Not physically verified

2.3.4.3 Risks

Internal controls over the management of and movement of vehicles are very weak. Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

The vehicles may be diverted for private use.

2.3.4.4 Recommendations

All Accountant General vehicles should have log books and registered in the name of the Accountant General.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all departmental vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

2.4 Registration of Contracts

2.4.1 Some contracts were not registered with the Office of the Auditor General whilst some were withheld during the audit

2.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

2.4.1.2 Observations

The table below is for 2 main contracts that the Office of the Accountant General signed with companies during the year (2018), which were not registered with Office of Auditor General.

The 1st contract was with Daha, a printing press company, and the second contract was with Green, another printing press company. These were one-year contracts each at a cost of US \$224,400.00 totalling US \$448,800.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

The contracts did not indicate the number of books to be printed by the two companies for the Office of the Accounting General.

The Office of the Accountant General did not provide the audit team with copies of contracts relating to Somali Financial Management Information System (SFMIS) and for other consultants employed in the SFMIS.

It was noted further that SFMIS is managed and supervised from outside the country and supervised by consultants who are not government civil servants. There might be serious concerns around confidentiality of government records and sustainability of the system in the longer term.

Details of 2 contracts with printing companies

No	Contracts	Purpose of contracts	Period of contracts	Amount per month US \$	Annual Amount US \$
1	AG and Daha Printing Company	Printing revenue books	1 year from January 2018	18,700	224,400
2	AG and Green Printing Company	Printing revenue books	1 year from January 2018	18,700	224,400
Total				37,400	448,800

2.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

The Office of the Auditor General cannot confirm whether contract articles have been implemented and also whether the contracts are in the interest of FGS.

2.4.1.4 Recommendations

All contracts are to be registered with the Office of the Auditor General in accordance with the law.

The Office of the Accountant General is required to make available all contracts relating to the implementation of SFMIS to the Office of the Auditor General for review and audit as appropriate.

2.5 Internal Audit

2.5.1 Regularity of Internal Audit

2.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

2.5.1.2 Observations

In 2018 it was noted that the Office of the Accountant General neither had an internal audit unit nor internal audit function. There were no periodic internal audits conducted for the Office of the Accountant General.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

2.5.1.3 Risks

Without regular internal audits conducted in the Office, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Office, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions may take long to be detected for prompt remedial action.

2.5.1.4 Recommendations

The Executive and Legislature should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS.

In the meantime, take necessary steps to ensure periodic internal audits of the Office of the Accountant General are conducted periodically.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and policies of the Ministry of Finance.

2.6 Procurement Management

2.6.1 The Office of the Accountant General did not follow Procurement Law

2.6.1.1 The Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including the Office of the Accountant General.

2.6.1.2 Observation

The Office of the Accountant General did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

2.6.1.3 Risks

The Office of the Accountant General is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

2.6.1.4 Recommendations

The Office of the Accountant General is required to comply with the procurement law and regulations.

Consolidated Compliance Audit Report – Non-Security Sector Entities
For the year ended 31 December 2018

MINISTRY OF PLANNING

3 MINISTRY OF PLANNING

3.1 Financial Reporting

3.1.1 No annual accounts submitted for audit for FY 2018

3.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

3.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following:-

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Statement of financial assets and liabilities
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Planning, as a Ministry, is required by law to submit annual accounts for audit, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

3.1.1.3 Risks

The Ministry of Planning has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail in its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

3.1.1.4 Recommendations

The Ministry of Planning should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

3.2 General Financial Management

3.2.1 Several payments amounting US \$ 6,466 were made without adequate supporting documents

3.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

3.2.1.2 Observations

There were some payments that were made during the year that were not fully supported. There was an expenditure of US \$6,466.00 that was paid for the months of January, February, April and June which were charged to various sub-heads as shown below without adequate supporting documents.

Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

No	Sub-head	Descriptions	Months	Amount US \$
1	2211	Allowance for soldiers	January, 2018	400.00
2	2213	Fuel	January, 2018	2,000.00
3	17033	Construction	January, 2018	1,666.00
4	2213	Fuel	February, 2018	2,000.00
5	2211	Allowance for the soldiers	April, 2018	400.00
Total				\$6,466.00

3.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

3.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

3.2.2 There were several payments for travels (US \$ 75,500) without adequate supporting documents.

3.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961, Article 24 requires that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

3.2.2.2 Observations

The total payment of US \$75,500.00 for travels was not adequately supported. The payments did not have one or more of the following supporting documents such as: (a) purchase orders or requisition order, (b) boarding passes for travels, (c) evidence of authorization for travels made, (d) supplier invoices or receipts, (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances.

List of travel payments – US \$75,500

No.	Sub-head	Reason of payment	Month	Amount US \$
1	2216	Travel Cost	January, 2018	7,500.00
2	2216	Travel Cost	February, 2018	7,500.00
3	2216	Travel Cost	March, 2018	7,500.00
4	2216	Travel Cost	March, 2018	7,500.00
5	2216	Travel Cost	April, 2018	8,000.00
6	2216	Travel Cost	May, 2018	6,000.00
7	2216	Travel Cost	May, 2018	6,000.00
8	2216	Travel Cost	June, 2018	6,000.00
9	2216	Travel Cost	June, 2018	4,000.00
10	2216	Travel Cost	July, 2018	3,250.00
11	2216	Travel Cost	July, 2018	3,250.00
12	2216	Travel Cost	July, 2018	3,500.00
13	2216	Travel Cost	October, 2018	2,500.00
14	2216	Travel Cost	October, 2018	3,000.00
Total				\$75,500.00

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

3.2.2.3 Risks

Payments without adequate supporting documents could result into loss of public funds.

Travel requests which are not properly cleared by the Ministry of Planning and authorised by a senior responsible officer in writing could be for private gain.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

3.2.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

3.3 Asset Management

3.3.1 There is no Fixed Asset register

3.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

3.3.1.2 Observations

There is no fixed asset register in the Ministry of Planning.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry of Planning were physically verified recently to ascertain their existence, condition, value and location among other matters.

3.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry of Planning cannot be independently confirmed.

Losses of fixed assets of the Ministry of Planning may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

3.3.1.4 Recommendations

The Ministry of Planning should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

3.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

3.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry of Planning.

There also policy guidelines and procedures on storage and accounting for these assets.

3.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

3.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoP may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

3.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

3.3.3 There is no register for office equipment of the Ministry

3.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

3.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

3.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

3.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

3.4 Internal Audit

3.4.1 Regularity of Internal Audit

3.4.1.1 Good practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

3.4.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function. There were no periodic internal audits conducted in the MoP.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

3.4.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

3.4.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Planning.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

MINISTRY OF FOREIGN AFFAIRS

4 MINISTRY OF FOREIGN AFFAIRS

4.1 Financial Reporting

4.1.1 No annual accounts submitted for audit for FY 2018

4.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41 (1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

4.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Statement of Cash Flows
- iv. Statement of financial assets and liabilities
- v. Reconciliation of opening and closing bank and cash balances
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Foreign Affairs, as a Ministry, is required by law to submit annual accounts in respect of its appropriation for Parliament, for the financial year ended 31 December 2018, Considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

4.1.1.3 Risks

The Ministry of Foreign Affairs has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.1.1.4 Recommendations

The Ministry of Foreign Affairs should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

4.2 General Financial Management

4.2.1 Several payments made to companies (US \$193,312.60) and to embassies (US \$852,450) without adequate supporting documents

4.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

4.2.1.2 Observations

There were some payments that were made during the year that were not fully supported. Payment totalling US \$193,312.60 was paid in the months of January to August, those payments were paid from subheads of 2211, 2212, 2213, 2214 iyo 2215 without supporting documents.

Supporting documents include but not limited to the following:- approved purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

Unsupported Expenditures - US \$193,312.60

No.	Sub-head	Beneficiary	Month	Amount US \$
1	2211	Somali Wireless	January - July 2018	12,299.00
2	2212	Hotel Jazeera	January - July 2018	19,250.00
3	2213	Alla Amin shop	January - July 2018	96,250.00
4	2214	Qudus Company	January - March 2018	13,740.00
5	2214	Hubaal Construction	April - May 2018	9,160.00
6	2214	Maamuus General	June – August 2018	13,740.00
7	2215	Qaaf Business	January - July 2018	28,873.60
Total				193,312.60

Similarly, there were several payments to Embassies for the months of January to September in 2018 amounting to US \$852,450 without supporting documents. The purposes for which these payments were made were not indicated in the payment request forms. Details of these payments are in the table below: -

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Unsupported Expenditure of Embassies - US \$852,450.00

No	Embassies A	Sub-heads				Month	Amount US \$
	Recipient of payments	2211	2213	2215	2216		
1.	Embassy in Turkey	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
2.	Embassy in France	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
3.	Embassy in Belgium	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
4.	Embassy in Italy	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
5.	Embassy in USA	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
6.	Embassy in Russia	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
7.	Embassy in Sweden	4,200	6,000	2,400	6,300	Jan – June 2018	18,900
8.	UN Representative	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
9.	Embassy in Switzerland	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
10.	Embassy in Germany	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
11.	Embassy in Ethiopia	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
12.	Embassy in Kenya	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
13.	Embassy in Egypt	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
14.	Embassy in China	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
15.	Embassy in India	6,300	9,000	3,600	9,450	Jan – Sep 2018	28,350
16.	Embassy in Kuwait	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
17.	Embassy in South Sudan	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
18.	Embassy in Malaysia	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
19.	Embassy in South Africa	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
20.	Embassy in Oman	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
21.	Embassy in Saudi Arabia	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
22.	Embassy in Iraq	3,600	5,400	2,700	6,750	Jan – June 2018	18,450
23.	Embassy in Uganda	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
24.	Embassy in Qatar	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
25.	Embassy in Yemen	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
26.	Dubai Consulate	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
27.	Embassy in Algeria	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
28.	Embassy in Sudan	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
29.	Embassy in Djibouti	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
30.	Embassy in Zambia	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
31.	Embassy in Burundi	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
32.	Embassy in Libya	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
33.	Embassy in UAE	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
34.	Embassy in Tanzania	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
35.	Embassy in Pakistan	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
36.	OIC Representative	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
37.	Aden Consulate	1,200	1,800	9,00	2,250	Jan – Mar 2018	6,150
38.	Embassy in Indonesia	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
39.	Jeddah Consulate	3,600	5,400	2,700	6,750	Jan – Sep 2018	18,450
40.	Embassy in Australia	1,200	1,800	9,00	2,250	Jan – Mar 2018	6,150
Total Amounts							852,450

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

4.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

4.2.2 Travel Costs do not have adequate supporting documents

4.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

4.2.2.2 Observations

Under the budget line for travel costs (sub-head 2216), a total amount of US \$423,500.00 was paid to Sagal Travel, a travel agent, as travel costs without adequate supporting documents.

These payments were made to a travel agent for which there were no supporting documents such as authorised local order for tickets, boarding passes, invoices for tickets issued, names and signatures for staff who received travel advances, and acknowledgement receipts for the travels.

4.2.2.3 Risks

Some payments might have been made for travels that never took place; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

4.2.2.4 Recommendations

All payments must be based on adequate supporting documents, and are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.3 Asset Management

4.3.1 There is no Fixed Asset register

4.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

4.3.1.2 Observations

There is no fixed asset register at Ministry of Foreign Affairs.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of Ministry were recently physically verified to ascertain their existence, condition, value and location among other matters.

4.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of MoFA cannot be independently confirmed.

Losses of fixed assets of MoFA may take long to be detected and recovered. The assets of MoFA could be diverted for private use.

4.3.1.4 Recommendations

The Ministry of Foreign Affairs should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

4.3.2 There are no Fixed Asset Management Policy Guidelines & Procedures

4.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the MoFA.

There are also policy guidelines and procedures on storage and accounting for these assets.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.3.2.2 Observations

There is currently no approved documented policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

4.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoFA may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

4.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed, approved and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including MoFA to follow.

4.3.3 There is no register for office equipment of the Ministry

4.3.3.1 Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of equipment of government offices as well as for goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of MoFA is assigned a unique identification number (tagged) for easy identification.

4.3.3.2 Observations

There is no register of fixed assets in MoFA for recording office equipment and stores of government.

Each office equipment of MoFA is not tagged with unique identification numbers for easy identification.

There was no evidence that MoFA carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.3.3.3 Risks

In the absence of a register of fixed assets in MoFA or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to MoFA.

4.3.3.4 Recommendations

The MoFA should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

4.3.4 There are weak control over Ministry vehicle

4.3.4.1 Best Practice

All vehicles of the Ministry of Foreign Affairs have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of Ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

4.3.4.2 Observations

During the course of our audit there were several vehicles allegedly for the Ministry of Foreign Affairs that were not registered under the Ministry.

The management of the Ministry provided a list of 13 vehicles of the Ministry to the audit team. Of the 13 vehicles that the Ministry claimed to own, only 10 of them were physically verified and the remaining 3 were never brought for physical verification.

None of these vehicles were registered in the name of the Ministry for ownership.

The table below is a list of Ministry vehicles, some of which could not be identified with the Ministry or could not be physically verified during the audit: -

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

List of Ministry vehicles

No	Vehicle type	Source of vehicle	Chassis No	Comments
1.	TOYOTA Crown	Bought by MoFA	J25171-0045987	Physically verified
2.	TOYOTA Harrier	Bought by MoFA	SXV15-0013279	Physically verified
3.	TOYOTA Camry	Bought by MoFA	ACV35-0002659	Physically verified
4.	TOYOTA Hilux	Bought by MoFA	AHTF2299609023841	Physically verified
5.	TOYOTA Camry	Bought by MoFA	AGF35-3360003575	Physically verified
6.	Hyundai	South Korea Government	KMHSN81E4GU115816	Physically verified
7.	Hyundai	South Korea Government	KMHSN81E9GU121336	Physically verified
8.	Hyundai	South Korea Government	KMHSN81EXGU127341	Physically verified
9.	TOYOTA Camry	Qatar Government	6T1BE42KX8X499960	Physically verified
10.	TOYOTA Hiace	Qatar Government	JTGJXO2PX65002413	Physically verified
11.	TOYOTA Land Cruiser Bullet-Proof	Not Clear	Not Seen	Not physically verified
12.	TOYOTA Land Cruiser Bullet-Proof	Not Clear	Not Seen	Not physically verified
13.	TOYOTA Land Cruiser Bullet-Proof	Not Clear	Not Seen	Not physically verified

4.3.4.3 Risks

Internal controls over the management and movement of the Ministry vehicles are very weak. Not all movements of Ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Ministry vehicles may be diverted for private use.

4.3.4.4 Recommendations

All MoFA vehicles should have log books; vehicles are registered in the name of the MoFA and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

4.4 Registration Of Contracts

4.4.1 Contracts were not registered with the Office of the Auditor General

4.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration with the Office of the Auditor General”.

4.4.1.2 Observations

During the course of the audit, the Ministry did not provide us with a list of all contracts that the Ministry entered into during the year for comparison with the database of contracts in the Office of the Auditor General.

4.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

4.4.1.4 Recommendations

The Ministry should ensure that all contracts are registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

4.5 Internal Audit

4.5.1 Regularity of internal audit function

4.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

4.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor unit nor internal audit function during the year.

There were no periodic internal audits conducted in the Ministry.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

4.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk of non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

4.5.1.4 Recommendations

The Executive and Legislature should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Foreign Affairs.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

**MINISTRY OF HUMANITARIAN AFFAIRS &
DISASTER**

Consolidated Compliance Audit Report – Non-Security Sector Entities
For the year ended 31 December 2018

5 MINISTRY OF HUMANITARIAN AFFAIRS & DISASTER

5.1 Financial Reporting

5.1.1 No annual accounts submitted for audit for FY 2018

5.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

5.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Statement of financial assets and liabilities
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Humanitarian Affairs and Disaster, as a Ministry, is required by law to submit annual accounts for audit, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

5.1.1.3 Risks

The Humanitarian Affairs and Disaster Management has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail in its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

5.1.1.4 Recommendations

The Ministry of Humanitarian Affairs and Disaster should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

5.2 General Financial Management

5.2.1 Rent was paid for staff accommodation without a valid contract– US \$8,250.

5.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

5.2.1.2 Observation

The Ministry rented accommodation for its senior officials through Nasrudiin General Service at a monthly rate US \$1,375.00 in 2018. Total rent paid for the first six months (Jan-June 2018) was US \$8, 250.00 However, there was no agreement between the Ministry and Nasrudiin General Service for this arrangement; and there was also no tenancy agreement for the property rented.

We were not provided with acknowledgement receipts for the rent paid during the first six months. Therefore, the monthly payments of US \$1,375.00 was without a valid contract.

Payment schedule to Nasrudiin General Service

No.	Sub-head charged	Recipient of payments	Month	Amount US \$
1	2212	Nasrudiin General Service	January	1,375
2	2212	Nasrudiin General Service	February	1,375
3	2212	Nasrudiin General Service	March	1,375
4	2212	Nasrudiin General Service	April	1,375
5	2212	Nasrudiin General Service	May	1,375
6	2212	Nasrudiin General Service	June	1,375
Total				8,250

5.2.1.3 Risks

This is a violation of laws, regulations and procedures which require payments to be fully supported, in particular rental payments must be the basis of signed contracts.

These rental payments may be irregular, not properly authorised by responsible officers.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

5.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

The above rental payments should be reviewed and regularised. Any financial losses should be made good by responsible officers.

5.2.2 Travel costs lacked adequate supporting documents – US \$27,500.

5.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

5.2.2.2 Observations

Under the budget line for travel costs, a total amount of US \$27,500.00 was spent as travel costs without adequate supporting documents. These payments were made to various recipients, a travel agent and hotels.

The payments did not have one or more of the following supporting documents such as: (a) Purchase orders and or boarding passes for the travel; or (b) Evidence of authorization for travels made; or (c) Supplier invoices or receipts; or (d) Approved accountabilities for the travels made; or (e) Names and signatures of those who received travel advances.

5.2.2.3 Risks

Some payments were made for travels that never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

5.2.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

5.3 Asset Management

5.3.1 There is no fixed asset register in place

5.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the MoHADM level or at a centralized level, in the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

5.3.1.2 Observations

There is no fixed asset register at Ministry of Humanitarian Affairs and Disaster.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of MoHADM were recently verified physically to ascertain their existence, condition, value and location among other matters.

5.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of MoHADM cannot be independently confirmed.

Losses of fixed assets of MoHADM may take long to be detected and recovered. The assets of MoHADM could be diverted for private use.

5.3.1.4 Recommendations

The Ministry of Finance should establish a comprehensive register of fixed assets with clear guidelines, and share with the MoHADM to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The MoHADM and the MoF to conduct periodic physical verification of fixed assets of the MoHADM and update the fixed asset register.

5.3.2 No Fixed Asset Management Policy Guidelines & Procedures

5.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the MoHADM.

There also policy guidelines and procedures on storage and accounting for these assets.

5.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, and without approved policy guidelines, internal controls over the management assets are weak.

5.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoHADM may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

5.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including MoHADM to follow.

5.3.3 There is no register for office equipment of the Ministry

5.3.3.1 Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining an up-to-date record of the equipment of government office equipment, including other goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of MoHADM is assigned a unique identification number (tagged) for easy identification.

5.3.3.2 Observations

There is no register of fixed assets in MoHADM for recording office equipment and other stores of government.

Office equipment of MoHADM is not tagged with unique identification numbers for easy identification.

There was no evidence that MoHADM carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

5.3.3.3 Risks

In the absence of a register of fixed assets in the MoHADM or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

It may be difficult to identify independently office equipment that belongs to MoHADM.

5.3.3.4 Recommendations

MoHADM should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

5.3.4 There are weak control over Ministry vehicle

5.3.4.1 Best Practice

All vehicles of the Ministry of Humanitarian Affairs and Disaster have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of Ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

5.3.4.2 Observation

During the course of our audit, we noted that vehicle, Suzuki Escudo, reportedly for the Ministry, was not registered in the name of the Ministry. The vehicle was bought by the Ministry whose Chasis No. is: - TD54W-111919.

5.3.4.3 Risks

Internal controls over the management and movement of the Ministry vehicles are very weak. Not all movements of Ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Ministry vehicles may be diverted for private use.

5.3.4.4 Recommendations

All vehicles of the Ministry should have log books; vehicles are registered in the name of the MoHADM and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

5.4 Registration of Contracts

5.4.1 Non-registration of contracts with the Office of the Auditor General

5.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

5.4.1.2 Observations

There were 2 contracts that MoHADM entered into with other parties in 2018 that were not registered with the Office of the Auditor General. They are listed below:-

Contracts not registered with the Office of the Auditor General

No	Contracts	Purpose of the Contracts	Contract duration	Contract Value US \$
1	MoHADM and Daryeel Shipping Company	Sea Port Service Charges and Store rental	No time limit	82,000
2	MoHADM and Jubba Group of Companies	Store Rental	No time limit	4,000
Total				86,000

5.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

5.4.1.4 Recommendations

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

5.5 Internal Audit

5.5.1 Regularity of Internal Audit

5.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

5.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in MoHADM.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

5.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

5.5.1.4 Recommendations

The Executive and Legislature should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Foreign Affairs.

In the meantime, the Ministry should take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

**MINISTRY OF TRANSPORT & CIVIL
AVIATION**

6 MINISTRY OF TRANSPORT & CIVIL AVIATION

6.1 Financial Reporting

6.1.1 No annual accounts submitted for audit for FY 2018

6.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an ex-officio position, and submit to the Auditor General for audit.

6.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Statement of financial assets and liabilities
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Transport and Civil Aviation, as a Ministry, is required by law to submit annual accounts in respect of its appropriation from Parliament, for the financial year ended 31 December 2018, Considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

6.1.1.3 Risks

The Ministry of Transport and Civil Aviation has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.1.1.4 Recommendations

The Ministry of Transport and Civil Aviation should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

6.2 General Financial Management

6.2.1 Total payments amounting to US \$157,551.10 lacked adequate supporting documents.

6.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961, Article 24 requires that every payment shall have attached necessary supporting documents.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

6.2.1.2 Observations

There were some payments totalling \$157,551.10 that were made during the year that was not fully supported.

These Payments was paid in the months of February to August and December; those payments were paid from subheads of 2211, 2213, 2214, 2256 and 2261.

Supporting payments did not have approved purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

Tirsi	Sub-head	Beneficiary	Months	Amount in US \$
1	2213	Bureeqo Gas Stationary	April, July iyo December 2018	6,464.00
2	2214	Kalsan General Trading	February, March iyo May 2018	2,969.00
3	2211	Shirkadda Korontada BECO	June and August 2018	5,798.10
4	2256	Shirkadda Kulmiye	January, April iyo August 2018	89,920.00
5	2261	Mega General Service	April, May iyo June 2018	45,000.00
6	2261	Kaah General Trading	February iyo March 2018	7,400.00
Wadarta Guud				\$157,551.10

6.2.1.3 Risks

Some payments may have not properly authorised by senior responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

6.2.2 Unauthorized Internal re-allocation of funds – US \$11,500.00

6.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law” and law no. 317 of 17 December 1962 article 6 (A) which also states “if a Minister needs to transfer sub-head allocated money to another sub-head he/she should write a written request to the Minister of Finance to be approve in accordance with the law”.

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the Minister of Finance approves, then the changes be affected.

6.2.2.2 Observations

During the audit course we noted that the sub-head 2211 for the months of April to June was used for other expenditure that was not originally budgeted for.

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was obtained.

The total amount was US \$11,500.00, that money was paid to companies as mentioned below but there was no enough supporting documents that was attached to the request of the payments.

No	Original Sub-head	Beneficiary	Used for	Amount US \$
1	2211	Kalsan General Trading	Building & Renovation	4,700.00
2		Bureeqo Gas Stationary	Fuel	1,000.00
3		Macquul Car Cell	Car rent	2,000.00
4		Daglig	Food	2,500.00
5		Tayo Printing Press	Stationary	1,300.00
Total				\$ 11,500.00

6.2.2.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Payments without adequate supporting documents could result into loss of public funds.

6.2.2.4 Recommendation

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

6.2.3 Payments for overseas travels were not adequately supported

6.2.3.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961, Article 24 requires that every payment shall have attached to it necessary supporting documents.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

6.2.3.2 Observations

Payments for travel (sub-head 2216), total amount of US \$7,000.00 was paid to travel agent companies for the months of January to April without supporting documents.

Payments were made to travel agent companies without adequate supporting documentation such as: local orders for air-tickets, boarding passes, Supplier invoices or receipts, Names and signatures of those who received travel advances and acknowledgement receipts from airlines.

6.2.3.3 Risks

Some payments were made for travels that never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

6.2.3.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

6.2.4 Revenues collected by the Ministry was used at source

6.2.4.1 The law

Law number 317 of Approbation of Regulation for the Accounts of the State of 17 December, 1962 article 46 requires that revenue can be only collected using receipts from the Office of the Accountant General. Also, there was a violation of article 34 of the law which says that no public money shall be made use what so ever; nor shall any officer shall lend any sum for which he is answerable to the State.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.2.4.2 Observations

The Ministry collected US \$86,980.00 during the year 2018 and used it at source.

The receipt books used for receiving this revenue was not the authorised receipt books issued by the Accountant General; instead the Ministry used its own printed receipt books.

No	Source of revenues	Amount Collected US \$	Details
1	Parking	29,030	Revenue which was collected using receipts not from the Accountant General, used at source without depositing into the Government Account at the Central Bank of Somalia.
2	Rent	57,950	Revenue which was collected using receipts not from the Accountant General, used at source without depositing into the Government Account at the Central Bank of Somalia.
Total		86,980	

6.2.4.3 Risk

The Ministry violated the law by collecting revenues without using receipt books of the Accountant General.

These funds may not be accounted since they were not entered into SFMIS used for processing financial statements of the FGS.

6.2.4.4 Recommendations

All revenues should be collected and receipted using receipt books issued by the Accountant General

All receipts must be deposited intact in the Central Bank of Somalia.

6.3 Asset Management

6.3.1 There is no Fixed Asset register

6.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

6.3.1.2 Observations

There is no fixed asset register in the Ministry of Transport & Civil Aviation.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

6.3.1.4 Recommendations

The Ministry of Finance should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

6.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

6.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry of Transport & Civil Aviation.

There also policy guidelines and procedures on storage and accounting for these assets.

6.3.2.2 Observations

Currently, there is no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

6.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Ministry may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

6.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry of Transport & Civil Aviation to follow.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.3.3 There is no register of office equipment

6.3.3.1 Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

6.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

6.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

6.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

6.4 Registration of Contracts

6.4.1 Contracts were not registered with the Office of the Auditor General

6.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration with the Office of the Auditor General”.

6.4.1.2 Observations

During the course of the audit, the Ministry did not provide us with a list of all contracts that the Ministry entered.

6.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm whether contract articles have been implemented and whether contracts were in the interest of FGS.

6.4.1.4 Recommendations

The Ministry should ensure that all contracts are registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

6.5 Internal Audit

6.5.1 Regularity of Internal Audit

6.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

6.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in the Ministry of Transport & Civil Aviation.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

6.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

6.5.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Planning.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

MINISTRY OF POSTS & TELECOMMUNICATION

7 MINISTRY OF POSTS & TELECOMMUNICATION

7.1 Financial Reporting

7.1.1 No annual accounts submitted for audit for FY 2018

7.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State”. which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

7.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Statement of Cash Flows
- iv. Reconciliation of opening and closing bank and cash balances
- v. Statement of Cash Flows
- vi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Posts and Telecommunication, as a Ministry, is required by law to submit annual accounts for the financial year ended 31 December 2018, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

7.1.1.3 Risks

The Ministry of Posts and Telecommunication has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

7.1.1.4 Recommendations

The Ministry of Posts and Telecommunication should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

7.2 General Financial Management

7.2.1 Several payments amounting US \$78,629.00 were without adequate supporting documents

7.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

7.2.1.2 Observations

There were payments that were made during the year of 2018 that were not fully supported. They were payments totalling US \$78,629.00 made during the months of January, August, December and the following sub-heads were charged: - 2211, 2213, 2214, 2215 and 2261. Summary of these payments is provided below.

Payments which lacked adequate documentation

No	Sub-head used	Recipients	Months in 2018	Amount US \$
1	25,134.00	Marhaa General Trading Company	January - August and December 2018	25,134
2	31,904.00	Alla Aamin and Somco Construction Company	January, August and December 2018	31,904
3	2,744.00	Marhaa General Trading Company	August and December 2018	2,744
4	8,849.00	Marhaa General Trading Company and Somco Construction Company	January, August and December 2018	8,849
5	\$9,998.00	Marhaa General Trading Company	January, August and December 2018	\$9,998
Total Amount				\$ 78,629.00

7.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

7.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

7.2.2 Unauthorized Internal re-allocation of funds – US \$50,000

7.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the Minister of Finance approves, then the changes can be affected.

7.2.2.2 Observations

During the audit course we noted that funds in sub-head 2821 were used for other expenditures (construction works) that were not originally budgeted for.

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was obtained in writing.

The total amount in question was US \$50,000.00, the same amount was paid to 2 companies as listed below but there were no adequate supporting documents for this expenditure attached to the payment requests.

No	Original sub-head	Recipient of payments	Used for	Amount US \$
1	2821	Al-khayr Construction	Construction	21,000
2		Liibaan Hasan Artan	Construction	29,000
Total amount				50,000

7.2.2.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

7.2.2.4 Recommendations

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

7.2.3 Travel costs lacked adequate supporting documents – US \$9,200

7.2.3.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

7.2.3.2 Observations

Under the budget line for travel costs, a total amount of US \$9,200.00 was spent as travel costs without supporting documents. These payments were made to various recipients, a travel agent and hotels.

The payments did not have one or more of the following supporting documents such as: (a) purchase orders and or boarding passes for the travel; (b) evidence of authorization for travels made; (c) supplier invoices or receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances.

7.2.3.3 Risks

Some payments were made for travels that were never made or; some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

7.2.3.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officer for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

7.3 Asset Management

7.3.1 No Fixed Asset registers

7.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

7.3.1.2 Observations

There is no fixed asset register in the Ministry of Posts & Telecommunications.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

7.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

7.3.1.4 Recommendations

The Ministry of Posts should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

7.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

7.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

7.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

7.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoPT may take long to be detected for prompt remedial action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Assets may be diverted for private and personal use.

7.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

7.3.3 There is no register for office equipment of the Ministry

7.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

7.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

7.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

7.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

7.3.4 **Vehicle Management**

7.3.4.1 **Best Practice**

All vehicles of the Ministry of Posts and Telecommunication have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

7.3.4.2 **Observations**

During the course audit of 2018 the Ministry confirmed that there was a vehicle, a Toyota Hilux with a number plate of GD0026, reportedly for the Ministry of Post and Telecommunication. However, the vehicle is not with the Ministry.

7.3.4.3 **Risks**

Internal controls over the management of and movement of the Ministry vehicles are very weak. Not all movements of the Ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

MoPT vehicles may be diverted for private use.

7.3.4.4 **Recommendations**

All Ministry vehicles should have log books; vehicles are registered in the name of the Ministry and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

7.4 **Registration of Contracts**

7.4.1 **Some contracts were not registered with the Office of the Auditor General**

7.4.1.1 **The Law**

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “*contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General*”.

7.4.1.2 **Observations**

During the course of the audit, the Ministry did not share with us all the contracts entered.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

7.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

7.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

7.5 Internal Audit

7.5.1 There is no regularity of Internal Audit

7.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure that recommendations are implemented in a timely manner.

7.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor an internal audit function.

There were no periodic internal audits conducted in the MoPT during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

7.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

7.5.1.4 Recommendations

The Executive and Legislative should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Health

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Consolidated Compliance Audit Report – Non-Security Sector Entities
For the year ended 31 December 2018

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

MINISTRY OF PORTS & MARINE TRANSPORT

8 MINISTRY OF PORTS & MARINE TRANSPORT

8.1 Financial Reporting

8.1.1 No annual accounts submitted for audit for FY 2018

8.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

8.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Ports and Marine Transport, as a Ministry, is required by law to submit annual accounts for the financial year ended 31 December 2018, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

8.1.1.3 Risks

The Ministry of Ports and Marine Transport has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

8.1.1.4 Recommendations

The Ministry of Ports and Marine Transport should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

8.2 General Financial Management

8.2.1 Payments amounting US \$48,000 were made without adequate supporting documents

8.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

8.2.1.2 Observations

There were several payments amounting to US \$48,000.00 that were made during the year of 2018 that were not fully supported.

These payments were made during the months of January, February, March, April and November and were charged to sub-heads of 2211 and 2255.

Table of unsupported payments – US \$48,000

No	Sub-head	Recipients	Month	Amount US \$	
1	2211	Various suppliers	January- April 2018	8,000.00	
2	2255	Isfahan Trading Company	November 2018	40,000.00	
Total				48,000.00	

8.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

The payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

8.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officer for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

8.3 Asset Management

8.3.1 There is no Fixed Asset registrar

8.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

8.3.1.2 Observations

There is no fixed asset register in the Ministry of Ports & Marine Transports.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

8.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

8.3.1.4 Recommendations

The Ministry of Ports should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

8.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

8.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

8.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

8.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Ministry of Ports and Marine Transport may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

8.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

8.3.3 There is no register for office equipment of the Ministry

8.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

8.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

8.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

8.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

8.4 Registration of Contracts

8.4.1 Some contracts were not registered with the Office of the Auditor General

8.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “*contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General*”.

8.4.1.2 Observations

During the course of the audit, the Ministry shared with us a contract signed between the Ministry and Somali Fuel Company which rented a land from the Ministry. This contract was not registered with Office of Auditor General.

According to the contracts, Somali Fuel Company is renting a land from the Ministry for a period of 50 years and is to pay two million (US \$2,000,000.00). The company (Somali Fuel Company) has paid US \$160,000.00 and the amount has been deposited with the Central Bank of Somalia. The amount deposited is the rental amount for 4 years which translates to US \$40,000 per annum.

8.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

8.4.1.4 Recommendations

The Ministry should ensure that all contracts are registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

8.5 Internal Audit

8.5.1 Regularity of Internal Audit

8.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

8.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in the Ministry of Ports and Marine Transport.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

8.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

8.5.1.4 Recommendations

The Executive and Legislature should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Foreign Affairs.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

MINISTRY OF HEALTH

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

9 MINISTRY OF HEALTH

9.1 Financial Reporting

9.1.1 No annual accounts submitted for audit for FY 2018

9.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

9.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Health, as a Ministry, is required by law to submit annual accounts for the financial year ended 31 December 2018, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

9.1.1.3 Risks

The Ministry of Health has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

9.1.1.4 Recommendations

The Ministry of Health should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

9.2 General Financial Management

9.2.1 Several payments amounting US \$21,750.00 were without adequate supporting documents

9.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

9.2.1.2 Observations

There were some payments that were made during the year that were not fully supported. A total amount of US \$21,750.00 was paid out during the months of March, April and September in 2018 which did not have attached adequate supporting documentation.

Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the suppliers. Details as below: -

Payments which lacked supporting documents

No	Sub-heads charged	Recipients	Month in 2018	Amount US \$
1	2211	Somali Wireless	March, April and Sept	3,250.00
2	2213	East African Petroleum Company	March and Sept	6,000.00
3	2214 & 2215	Nasrudiin General Trading Comp	March, April and Sept	8,000.00
4	2215	Sacda General Trading Company	March and Sept	4,500.00
Total				21,750.00

9.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

9.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All payment documents should be stamped as “PAID” as soon as payments have been effected (or cancelled as paid) to prevent their use in support of further payments.

9.2.2 **Payments amounting to US \$301,816 were made against several projects without adequate supporting documents**

9.2.2.1 **The Law**

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

9.2.2.2 **Observations**

The Ministry funds for the projects are neither in the Ministry budget nor are disbursements of project funds made through the SFMIS.

There were several payments that were made during the year that were not fully supported. A total of US \$301,816 was paid out to individuals and companies without attaching adequate supporting documents to payment requests.

Some of the payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier, tickets, boarding passes, log sheets etc.

A summary of payments without adequate supporting documents

Project name	Total amount in US \$	Description
Reproductive Health (RH) Project	137,387	No adequate support documents
Malaria Project	107,439	No adequate support documents
HIV Project	8,276	No adequate support documents
Tuberculosis (TP) Project	19,030	No adequate support documents
Communication for Development (CD) project	3,150	No adequate support documents
Nutrition Project	15,794	No adequate support documents
Supply Chain (SC) Project	6,320	No adequate support documents
Health Management Information System (HMIS) project	4,420	No adequate support documents
Total payments	301,816.00	

9.2.2.3 **Risks**

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

9.2.2.4 **Recommendations**

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All payment documents should be stamped as “PAID” as soon as payments have been effected (or cancelled as paid) to prevent their use in support of further payments.

9.3 Asset Management

9.3.1 There is no Fixed Asset registrar

9.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a centralized level of computerized fixed asset register is in place that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

9.3.1.2 Observations

There is no fixed asset register in the Ministry of Health.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

9.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

9.3.1.4 Recommendations

The Ministry of Health should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

9.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

9.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There also policy guidelines and procedures on storage and accounting for these assets.

9.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

9.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoH may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

9.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

9.3.3 There is no register for office equipment of the Ministry

9.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

9.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

9.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

9.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

9.3.4 Vehicle Management

9.3.4.1 Best Practice

All vehicles of the Ministry of Health have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

9.3.4.2 Observations

During the course of our audit there were several vehicles reportedly for the Ministry of Health that were not registered with the name of the Ministry.

The management of the Ministry provided a list of 6 vehicles of the Ministry to the audit team but none of these vehicles were registered in the name of the Ministry for ownership.

There were no approved management policies for the management and control of the Ministry vehicles. There is no fixed asset register for recording Ministry vehicles and other fixed assets.

List of vehicles that were presented

No	Vehicle type	Source of vehicle	Chassis No	Comments
1.	TOYOTA Land Cruiser Ambulance	UNFPA	JTERB71J-00082995	Physically verified by the auditors
2	TOYOTA Land Cruiser Ambulance	UNFPA	JTGRB71JXC7011815	Physically verified by the auditors
3	TOYOTA Hilux PU	UNICEF	AHTFK22G-403095335	Physically verified by the auditors
4	TOYOTA Hilux Soft	Ministry of Finance	In 1070005713	Physically verified by the auditors
5	TOYOTA Land Cruiser	Ministry of Finance	AO198-P	Physically verified by the auditors
6	TOYOTA Land Cruiser	WHO	GTMHV09GOB5016950	Physically verified by the auditors

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

9.3.4.3 Risks

Without the vehicles being registered in the names of the Ministry, the Ministry has no legal basis to claim ownership over them.

Ministry vehicles may be diverted for private use.

9.3.4.4 Recommendations

All Ministry vehicles should have log books and registered in the name of the Ministry, and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

9.4 Registration of Contracts

9.4.1 Some contracts were not registered with the Office of the Auditor General

9.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

9.4.1.2 Observations

During the course of the audit, management of the Ministry didn't register 2 financial contracts signed between the Ministry and other parties during the year of 2018.

The 2 contracts were for the provision of goods and services to the Ministry for a total value of US \$25,500.00.

No	Contracts/Agreements	Purpose of contracts	Period of contracts	Monthly amount US \$	Grant amount of contract US \$
1	MoH and East African Petroleum Company	Petrol	May-Dec 2018	1,500.00	12,000.00
2	MoH and Sacda General Trading Company	Goods	April – Dec 2018	1,500.00	13,500.00
Total					25,500.00

9.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

9.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

9.5 Internal Audit

9.5.1 There is no regularity of Internal Audit

9.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure that recommendations are implemented in a timely manner.

9.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor an internal audit function.

There were no periodic internal audits conducted in the MoH during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

9.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

9.5.2 Recommendations

The Executive and Legislative should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Health

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

MINISTRY OF EDUCATION

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

10 MINISTRY OF EDUCATION

10.1 Financial Reporting

10.1.1 No annual accounts submitted for audit for FY 2018

10.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

10.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Education, as a Ministry, is required by law to submit annual accounts for the financial year ended 31 December 2018, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

10.1.1.3 Risks

The Ministry of Education has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

10.1.1.4 Recommendations

The Ministry of Education should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

10.2 General Financial Management

10.2.1 Running costs totalling US \$3,500.00 do not have adequate supporting documents

10.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have attached all necessary supporting documents.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

10.2.1.2 Observation

During the course of the audit one payment purportedly for utilities was made on 31 July 2018 for US \$ 3,500, under sub-head or payment voucher no. 2211, did not have all the necessary supporting documents attached.

10.2.1.3 Risk

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

10.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

10.3 Asset Management

10.3.1 Lack of fixed Asset register

10.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a centralized level of computerized fixed asset register is in place that is responsible by the Ministry of Finance.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

10.3.1.2 Observations

There is no fixed asset register in the Ministry of Finance.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

10.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

10.3.1.4 Recommendations

The Ministry of Finance should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

10.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

10.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

10.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

10.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoF may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

10.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

10.3.3 There is no register for office equipment of the Ministry

10.3.3.1 Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

10.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

10.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

10.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

10.3.4 There are weak Control over the Ministry vehicles

10.3.4.1 **Good practice**

All vehicles of the Ministry of Finance have log books, and vehicles are registered in the name of the Ministry.

An approved policy for management of ministry vehicles is in place and adhered to.

All Ministry vehicles are recorded in the in the fixed asset register as above.

10.3.4.2 **Observation**

There were 2 vehicles reportedly for the Ministry that were not registered in the name of the Ministry.

List of vehicles

N0.	Type of Vehicle	Source of Vehicle	Chassis No	At the Ministry hands?	Comments
1.	TOYOTA NOAH	Bought by the Ministry	SR50-0059637	Yes	Physically Verified
2	TOYOTA NOAH	Bought by the Ministry	SR50-0107231	Yes	Physically Verified

10.3.4.3 **Risk**

Internal controls over the management and movement of the Ministry vehicles are very weak. Not all movements of Ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Ministry vehicles may be diverted for private use.

10.3.4.4 **Recommendation**

All Ministry vehicles should have log books and registered in the name of the Ministry, and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

10.4 Management of Government Schools

10.4.1 There are no formal contracts or memorandum with private individuals for management of government owned schools

10.4.1.1 Observations

Somali National University is the only public university in Mogadishu which is currently functional. There are other public universities and tertiary institutions which are currently not functioning because of security concerns.

There are government owned schools which are not managed by the Ministry but whose managements have been transferred to private individuals. However, the Ministry is yet to issue formal policy guidelines on management of these schools, on syllabus, fees, uniforms, and etc. There are no formal contracts or memorandum of understanding between the ministry and the individuals who are managing the schools.

10.4.1.2 Risks

Government owned schools managed by private individuals or organizations may be run for private gain without adequate supervision and monitoring.

10.4.1.3 Recommendations

For government schools given to private individuals and organizations to run them, the Ministry should have formal contracts or memorandum of understanding signed by both parties.

Furthermore, the Ministry should develop and issue to those managing these schools clear guidelines for management of these schools, on syllabus, on fees, on uniforms, etc.

10.5 Internal Audit

10.5.1 There is no internal audit function in the Ministry

10.5.1.1 Best practice/standard

There should be regular internal audits conducted and reports produced. There should be regular follow-up to ensure recommendations are implemented.

10.5.1.2 Observations

During the annual audit, it was noted that the Ministry neither has an internal audit unit or function.

There were nor periodic internal audits conducted during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

10.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimised and eliminated.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

10.5.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Education.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted. Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

**MINISTRY OF FISHERIES & MARINE
RESOURCES**

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

11 MINISTRY OF FISHERIES & MARINE RESOURCES

11.1 Financial Reporting

11.1.1 No annual accounts submitted for audit for FY 2018

11.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

11.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Fisheries & Marine Resources, as a Ministry, is required by law to submit annual accounts for the financial year ended 31 December 2018, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

11.1.1.3 Risks

The Ministry of Fisheries & Marine Resources has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

11.1.1.4 Recommendations

The Ministry of Fisheries & Marine Resources should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

11.2 General Financial Management

11.2.1 Payments amounting US \$64,566.00 were made without adequate supporting documents

11.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

11.2.1.2 Observations

There were payments that were made during the year of 2018 that were not fully supported. There was payment amounting to US \$64,566.00 that was used in quarter 1 and quarter 2 of 2018 from the sub- heads of 2211, 2213 and 2215 that were not fully supported.

Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

11.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

The payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

11.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officer for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

11.2.2 There were payments made from FAO funds that lacked adequate supporting documents

11.2.2.1 Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, tickets, boarding pass etc.

11.2.2.2 Observations

During the year of 2018 there were payments totalling US \$53,529.00 that were made which were not fully supported.

These payments were made to individuals and companies.

Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

11.2.2.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

11.2.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

11.2.3 Unauthorized Internal re-allocation of funds – US \$28,534.00

11.2.3.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the minister of finance approves, then the changes be affected before funds are disbursed.

11.2.3.2 Observations

A payment totalling US \$28,534.00 was paid without legal process for re-allocation. The payment was charged from sub-head 2221 and it was violation to the law and procedure.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Also, it was noted that the payment did not have supporting documents.

Payment was contrary to the law and procedure.

Schedule of expenditures without formal re-allocation of funds

No.	Original sub –head	Used for	Amount US \$
1	2221	Internet services	8,724.00
2	2221	furniture	6,850.00
3	2221	Petrol and oil	3,320.00
4	2221	Office equipment	9,640.00
Total			28,534.00

11.2.3.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

11.2.3.4 Recommendation

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

11.3 Asset Management

11.3.1 There is no Fixed Asset register

11.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Ministry level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

11.3.1.2 Observations

There is no fixed asset register in the Ministry of FMR.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There is no evidence that fixed assets of the Ministry were physically verified recently to ascertain their existence, condition, value and location among other matters.

11.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Ministry may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

11.3.1.4 Recommendations

The Ministry of Fisheries should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

11.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

11.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Ministry.

There also policy guidelines and procedures on storage and accounting for these assets.

11.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

11.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Ministry of Fisheries may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

11.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

11.3.3 There is no register for office equipment of the Ministry

11.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Ministry is assigned a unique identification number (tagged) for easy identification.

11.3.3.2 Observations

There is no register of fixed assets in Ministry for recording office equipment and stores of government.

Office equipment of the Ministry is not tagged with unique identification numbers for easy identification.

There was no evidence that the Ministry carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

11.3.3.3 Risks

In the absence of a register of fixed assets in the Ministry or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Ministry.

11.3.3.4 Recommendations

The Ministry should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

11.4 Registration of Contracts

11.4.1 Some contracts were not registered with the Office of the Auditor General

11.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

11.4.1.2 Observations

There were 3 financial contracts that the Ministry entered into with other parties in 2018 which were not registered with Office of Auditor General.

Two of these contracts were are related to procurement of goods and services and the total amount of contracts amounted to US \$27,000. 00.

The third contract with a foreign association known as COFA was withheld for our inspection.

List of contracts not registered with the OAG

No	Contracts	Purpose of contract	Period of contract	Amount per month US \$	Total contract value US \$
1	MoFMR and COFA	Fishing	July 2018 to July 2019	Unknown	Unknown
2	MoFMR and Alla Amin Gas Station	Petrol and oil	April to December 2018	1,687.50	13,500.00
3	MoFMR Kalsan company	Stationery	April to December 2018	1,687.50	13,500.00
Total				3,375.00	27,000.00

11.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

11.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

11.5 Internal Audit

11.5.1 Regularity of Internal Audit

11.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

11.5.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in the Ministry of Ports and Marine Transport.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

11.5.1.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

11.5.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Finance.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

**SOMALI CIVIL AVIATION AND METEOROLOGY
AUTHORITY**

12 SOMALI CIVIL AVIATION AND METEOROLOGY AUTHORITY

12.1 Financial Reporting

12.1.1 No annual accounts submitted for audit for FY 2018

12.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

12.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Somali Civil Aviation & Meteorological Authority, as an entity, is required by law to submit annual accounts for the year ended 31 December 2018, Considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

12.1.1.3 Risks

The Somali Civil Aviation & Meteorological Authority has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, Somali Civil Aviation & Meteorological Authority may fail its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

12.1.1.4 Recommendations

The Somali Civil Aviation & Meteorological Authority should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

12.2 General Financial Management

12.2.1 **Several payments amounting US \$11,996 were processed without adequate supporting documents**

12.2.1.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

12.2.1.2 Observations

There were payments that were made during the year of 2018 that were not fully supported. The payment totalling US \$11,996.00 for the months of March, May, July and August were charged to the following sub-heads: - 2213, 2214, and 2215 without adequate supporting documents.

Payments which lacked adequate documentation

No	Sub-head used	Recipients	Months in 2018	Amount US \$
1	2213	Isfahan Trading Company	May & August	4,500.00
2	2214	Sacda General Trading and Service Company	May	1,000.00
3	2214	Isfahan Trading Company	July	996.00
4	2214	Not Clear	March	1,000.00
5	2215	Not Clear	July	1,500.00
6	2215	Sacda General Trading and Service Company	August	3,000.00
Total				11,996.00

12.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Somali Civil Aviation & Meteorology Authority.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

12.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

12.2.2 Revenues collected were used without banking with the Central Bank of Somalia

12.2.2.1 The Law

Law No. 317 of the Regulation for the Accounts of the State issued on 17 December 1962. Article 34 prohibits use of collected revenues without banking it intact with the Central Bank of Somalia.

12.2.2.2 Observations

It was observed during the audit that Somali Civil Aviation and Meteorology Authority collected and used US \$130,130.00 before it was banked with the Central Bank of Somalia.

12.2.2.3 Risks

The Somali Civil Aviation and Meteorology Authority used revenue collected at source and violated the law.

Without adequate internal controls and transparent accountability, revenues might be diverted for private use and may take long to be detected.

12.2.2.4 Recommendations

Regularize revenue collections through a law and or regulation and transfer the responsibility to the Ministry of Finance.

Provide adequate operational budget for Somali Civil Aviation and Meteorology Authority, create a specific sub-head for the Agency and ensure adequate funds are made available on a timely basis.

12.2.3 Payments relating ICAO (US \$532, 276) funds do not have adequate supporting documents

12.2.3.1 Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes and acknowledgement receipts.

12.2.3.2 Observations

ICAO provided funds to the Somali Civil Aviation & Meteorology Authority for some programs. However, there were payments made during 2018 that were not fully supported.

Total payments amounting to US \$532,276 were made to NAC Hotel, for security guards and to cleaning staff were not adequately supported.

12.2.3.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Agency.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

12.2.3.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

12.3 Asset Management

12.3.1 There is no Fixed Asset register

12.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the Agency level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

12.3.1.2 Observations

There is no fixed asset register in the Somali Civil Aviation and Meteorology Authority.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Somali Civil Aviation and Meteorology Authority were physically verified recently to ascertain their existence, condition, value and location among other matters.

12.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Ministry cannot be independently confirmed.

Losses of fixed assets of the Somali Civil Aviation and Meteorology Authority may take long to be detected and recovered. The assets of the Agency may be diverted for private use.

12.3.1.4 Recommendations

SCAMA should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Somali Civil Aviation and Meteorology Authority are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

12.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

12.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Somali Civil Aviation and Meteorology Authority.

There also policy guidelines and procedures on storage and accounting for these assets.

12.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management of the asset of FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

12.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Somali Civil Aviation and Meteorology Authority may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

12.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

12.3.3 There is no register for office equipment of the Ministry

12.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Somali Civil Aviation and Meteorology Authority is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Somali Civil Aviation and Meteorology Authority is assigned a unique identification number (tagged) for easy identification.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

12.3.3.2 Observations

There is no register of fixed assets in the Agency for recording office equipment and stores of government.

Office equipment of the Somali Civil Aviation and Meteorology Authority is not tagged with unique identification numbers for easy identification.

There was no evidence that the Somali Civil Aviation and Meteorology Authority carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

12.3.3.3 Risks

In the absence of a register of fixed assets in the Somali Civil Aviation and Meteorology Authority or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Somali Civil Aviation and Meteorology Authority.

12.3.3.4 Recommendations

The Somali Civil Aviation and Meteorology Authority should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Somali Civil Aviation and Meteorology Authority should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

12.4 Registration of Contracts

12.4.1 Some contracts were not registered with the Office of the Auditor General

12.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “*contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General*”.

12.4.1.2 Observations

During the course of the audit, it was noted that one financial contract that the Somali Civil Aviation and Meteorology Authority signed with Sahal Company for a period of 10 years. This contract was not registered with the Office of the Auditor General.

12.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

12.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contract.

12.5 Internal Audit

12.5.1 There is no regularity of Internal Audit

12.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure that recommendations are implemented in a timely manner.

12.5.1.2 Observations

In 2018 it was noted that the Agency neither had an internal audit unit nor an internal audit function.

There were no periodic internal audits conducted in the Somali Civil Aviation and Meteorology Authority during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

12.5.1.3 Risks

Without regular internal audits conducted in the Somali Civil Aviation and Meteorology Authority, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Somali Civil Aviation and Meteorology Authority, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Somali Civil Aviation and Meteorology Authority may take long to be detected for prompt remedial action.

12.5.1.4 Recommendations

The Executive and Legislature should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Health

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and policies of Somali Civil Aviation and Meteorology Authority.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

12.6 Procurement Management

12.6.1 SCAMA did not follow procurement law

12.6.1.1 Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including SCAMA.

12.6.1.2 Observation

SCAMA did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

12.6.1.3 Risks

SCAMA is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

12.6.1.4 Recommendations

SCAMA must comply with the procurement law and regulations.

SOMALI NATIONAL UNIVERSITY

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

13 SOMALI NATIONAL UNIVERSITY

13.1 Financial Reporting

13.1.1 No annual accounts submitted for audit for FY 2018

13.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

13.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Somali National University, as an agency, is required by law to submit annual accounts for audit, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

13.1.1.3 Risks

The Somali National University has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the University may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

13.1.1.4 Recommendations

The Somali National University should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

13.2 General Financial Management

13.2.1 Collected revenues and used at source – US \$556,276.50

13.2.1.1 The Law

Law No. 2 of the financial and Accounting Procedure of the State of 1961. Article 34 prohibits use of collected revenues without banking it intact with the Central Bank of Somalia. Article 46 of the Regulations states that “*ordering and issue of all receipt books shall be under the control of the Accountant General*”.

13.2.1.2 Observations

During the course of the audit a total amount of US \$556,276.50 was noted to have been collected and used without depositing it with the Central Bank of Somalia.

The University used receipts books that were not issued by the Office Accountant General

Collections by Somali National University – US \$556,276 used at source

Month, 2018	Receipt no.	Amount collected – US \$	Comments
January	332-399	85,264.00	Not deposited to the central bank
February	400 -432	4,512.50	Not deposited to the central bank
March	433 - 456	3,290.00	Not deposited to the central bank
April	457 -479	4,196.00	Not deposited to the central bank
May	480 -504	14,900.00	Not deposited to the central bank
June	505 -545	145,520.00	Not deposited to the central bank
July	546 -583	89,657.00	Not deposited to the central bank
August	584 -600	46,905.00	Not deposited to the central bank
September	601 -614	26,065.00	Not deposited to the central bank
October	615 -641	15,315.00	Not deposited to the central bank
November	642 -646	13,625.00	Not deposited to the central bank
December	647 -655	107,027.00	Not deposited to the central bank
Total		556,276.50	

13.2.1.3 Risks

Somali National University used revenue collected at source and violated the law.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Without adequate internal controls and transparent accountability, revenues might be diverted for private use and may take long to be detected.

13.2.1.4 Recommendations

Regularize revenue collections in accordance with the law or regulation and deposited to the Central Bank.

There University should have adequate budget and to be made relevant sub-heads for them to use the expenditure.

13.3 Asset Management

13.3.1 There is no fixed asset register

13.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the University level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

13.3.1.2 Observations

There is no fixed asset register in Somali National University.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the University were physically verified recently to ascertain their existence, condition, value and location among other matters.

13.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the University cannot be independently confirmed.

Losses of fixed assets of the University may take long to be detected and recovered. The assets of the Ministry may be diverted for private use.

13.3.1.4 Recommendations

Somali National University should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the University are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

13.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

13.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the University.

There also policy guidelines and procedures on storage and accounting for these assets.

13.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

13.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the University may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

13.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Ministry to follow.

13.3.3 There is no register for office equipment of the University

13.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the University is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the University is assigned a unique identification number (tagged) for easy identification.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

13.3.3.2 Observations

There is no register of fixed assets in University for recording office equipment and stores of government.

Office equipment of the University is not tagged with unique identification numbers for easy identification.

There was no evidence that the University carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

13.3.3.3 Risks

In the absence of a register of fixed assets in the University or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the University.

13.3.3.4 Recommendations

Somali National University should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the University should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

13.4 Registration of Contracts

13.4.1 Contracts were not registered with the Office of the Auditor General

13.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration with the Office of the Auditor General”.

13.4.1.2 Observations

It was noted during the course of the audit that the university did not register its contracts with the Office of the Auditor General.

13.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

13.4.1.4 Recommendation

The University should ensure that all contracts are registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

13.5 Internal Audit

13.5.1 There is no internal audit function

13.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

13.5.1.2 Observations

In 2018 it was noted that the Somali National University neither had an internal audit unit nor an internal audit function during the year.

There were no periodic internal audits conducted in the Somali National University.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

13.5.1.3 Risks

Without regular internal audits conducted in the Somali National University, there is a risk of non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Somali National University, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Somali National University may take long to be detected for prompt remedial action.

13.5.1.4 Recommendations

The Executive and Legislative should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including the Somali National University.

In the meantime, take necessary steps to ensure periodic internal audits of the Somali National University are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Somali National University policies.

BANADIR REGIONAL AUTHORITY

14 BANADIR REGIONAL AUTHORITY

14.1 Financial Reporting

14.1.1 No annual accounts submitted for audit for FY 2018

14.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41 (1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

14.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

Banadir Regional Authority, as a Local Government, is required by law to submit annual accounts for audit, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

14.1.1.3 Risks

Banadir Regional Authority has not complied with the law. Without audited accounts of BRA within the statutory timelines, parliament may not be able to exercise its financial oversight of BRA in a timely manner.

Furthermore, BRA may fail its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

14.1.1.4 Recommendations

Banadir Regional Authority should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

14.2 General Financial Management

14.2.1 **Banadir Regional Authority did not have approved annual budget for FY 2018**

14.2.1.1 The Law

Law no. 116 of District Administration and Provinces of the State of 06 August 2013 article 30 (2,3) says that “every year Local Government Administrations to prepare estimated budget of the next year and its presented to the Local Council who have the power to approve, reject and to make amendment.

14.2.1.2 Observations

During the audit we noted that BRA did not have approved annual budget for the financial year ended 31 December 2018 for the grants they get from the FGS.

It was however noted that the annual expenditure for the year US \$6,994,356.91 without an approved budget. The expenditure was from funds of the FGS to BRA. This was based on the 15% of total revenue from Mogadishu Seaport that is remitted to the Authority.

14.2.1.3 Risks

There was no prioritization of expenditure payment. This affects future budgeting process

Without adequate internal controls and transparent accountability, revenues might be diverted for private use and may take long to be detected.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Grants from FGS that was used without budget could result into loss of public funds.

14.2.1.4 Recommendations

Banadir Regional Authority should ensure that there is an approved annual budget before expenditures are incurred and disbursed for the grants they get from the FGS. Also, preparation and approval of the budget should be followed in accordance with the law.

14.2.2 **Health expenses amounting US \$51,369.00 were without adequate supporting documents**

14.2.2.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Supporting documents vary depending on the type of payment, and could include patient request, approval, health documents, invoices and acknowledgement receipts.

14.2.2.2 Observations

There were some payments that were made during the year from July to December that were not fully supported.

Different individuals have been given health expenses totalling US \$51,369.00 that was paid for the months of July to December without adequate supporting documents.

14.2.2.3 Risks

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

14.2.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

14.2.3 Travel costs lack adequate supporting documents

14.2.3.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

14.2.3.2 Observations

A total amount of US \$29,467.00 was spent as travel costs without adequate supporting documents from July to December 2018.

These payments were made to various recipients, a travel agent and hotels.

The payments did not have one or more of the following supporting documents such as: (a) approved local purchase for the tickets; (b) evidence of authorization for travels made; (c) supplier invoices and or acknowledgement receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances in cases of travel advances made.

14.2.3.3 Risks

Some payments were made for travels that were never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

14.2.3.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

14.2.4 There are weak controls over BRA vehicles

14.2.4.1 Best Practice

All vehicles of BRA have log books, and vehicles are registered in the name of the BRA.

An approved policy for management of BRA vehicles is in place and adhered to.

All BRA vehicles are recorded in the in the fixed asset register as above.

14.2.4.2 Observation

During the course of the audit, the management of BRA were not able to produce for our audit a list of all their vehicles and log books of the vehicles that was bought from grants from the FGS for our verification, also those vehicles were not register in the name of BRA.

14.2.4.3 Risks

Internal controls over the management of and movement of BRA vehicles are very weak. Not all movements of BRA vehicles could be accounted for.

BRA vehicles may be diverted for private use and benefit at the expense public finances of the FGS.

14.2.4.4 Recommendations

All BRA vehicles should have log books and registered in the name of BRA, and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all BRA vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

14.3 Registration of Contracts

14.3.1 Some contracts were not registered with the Office of the Auditor General

14.3.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “*contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General*”.

14.3.1.2 Observations

During the course of the audit, management of the BRA did not share with audit team all the contracts entered by BRA.

14.3.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

14.3.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

14.4 Internal Audit

14.4.1 Regularity of Internal Audit

14.4.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

14.4.1.2 Observations

In 2018 it was noted that there is no internal audit function that was conducted. There were no periodic internal audits conducted in BRA.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

14.4.1.3 Risks

Without regular internal audits conducted in BRA, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in BRA, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in BRA may take long to be detected for prompt remedial action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

14.4.1.4 Recommendations

The Executive and Legislative should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the BRA.

In the meantime, take necessary steps to ensure periodic internal audits of BRA are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and BRA policies.

14.5 Procurement Management

14.5.1 BRA did not follow Procurement Law

14.5.1.1 The Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including BRA.

14.5.1.2 Observation

BRA did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018 for the grants that BRA received from the FGS.

There was a payment US \$442,734.00 which was BRA used to buy vehicles was not followed in line with procurement process and law, also those vehicles were purchased for individuals outside from BRA and other institutions.

14.5.1.3 Risks

BRA is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

14.5.1.4 Recommendations

BRA must comply with the procurement law and regulations.

MOGADISHU SEAPORT

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

15 MOGADISHU SEAPORT

15.1 Financial Reporting

15.1.1 No annual accounts submitted for audit for FY 2018

15.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

15.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Mogadishu Seaport, as an entity, is required by law to submit annual accounts considering in respect the appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

15.1.1.3 Risks

The Mogadishu Seaport has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of Mogadishu Seaport in a timely manner.

Furthermore, Mogadishu Seaport may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

15.1.1.4 Recommendations

Mogadishu Seaport should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Mogadishu Seaport, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

15.2 General Financial Management

15.2.1 Payments totalling US \$8,250.00 were made without adequate supporting documents attached.

15.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

15.2.1.2 Observations

There were payments that were made during the year of 2018 that were not fully supported. There were some payments amounting to a total of US \$8,250.00 made in June, July and September without adequate supporting documents. These payments were charged to sub-head of 2213.

15.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by Mogadishu Seaport.

Some of the payments might be irregular, or might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

15.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

The above payments should be reviewed and regularised promptly to ensure no financial loss is suffered by the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

15.2.2 Unauthorized Internal re-allocation of funds – US \$2,667.50

15.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the Minister of Finance approves, then the changes be affected before payments are affected.

15.2.2.2 Observations

During the audit course we noted that funds in sub-heads 2213 was used for other expenditure that were not originally budgeted for.

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was granted.

The total amount in question was US \$2,667.50. Besides, there were no adequate supporting documents for some of the payments.

15.2.2.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

15.2.2.4 Recommendation

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

15.3 Asset Management

15.3.1 There is no fixed asset register in place

15.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place in Mogadishu Seaport level or at a centralized level, in the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

15.3.1.2 Observations

There is no fixed asset register in Mogadishu Seaport.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of Mogadishu Seaport were recently verified physically to ascertain their existence, condition, value and location among other matters.

15.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of Mogadishu Seaport cannot be independently confirmed.

Losses of fixed assets of Mogadishu Seaport may take long to be detected and recovered. The assets of Mogadishu Seaport could be diverted for private use.

15.3.1.4 Recommendations

Mogadishu Seaport should establish a comprehensive register of fixed assets with clear guidelines, and share with Mogadishu Seaport to ensure particulars of all fixed assets of Mogadishu Seaport are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

15.3.2 No Fixed Asset Management Policy Guidelines & Procedures

15.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of Mogadishu Seaport.

There also policy guidelines and procedures on storage and accounting for these assets.

15.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, and without approved policy guidelines, internal controls over the management assets are weak.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

15.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of Mogadishu Seaport may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

15.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including Mogadishu Seaport to follow.

15.3.3 There is no register for office equipment of Mogadishu Seaport

15.3.3.1 Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining an up-to-date record of the equipment of government office equipment, including other goods in the stores. All office equipment of the Ministry is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of Mogadishu Seaport is assigned a unique identification number (tagged) for easy identification.

15.3.3.2 Observations

There is no register of fixed assets in Mogadishu Seaport for recording office equipment and other stores of government.

Office equipment of Mogadishu Seaport are not tagged with unique identification numbers for easy identification.

There was no evidence that Mogadishu Seaport carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

15.3.3.3 Risks

In the absence of a register of fixed assets in Mogadishu Seaport or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to Mogadishu Seaport.

15.3.3.4 Recommendations

Mogadishu Seaport should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All assets, including office equipment of Mogadishu Seaport should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

15.3.4 There are weak controls over Mogadishu Seaport vehicles

15.3.4.1 Best Practice

All vehicles of MSP have log books, and vehicles are registered in the name of the Mogadishu Seaport.

An approved policy for management of Mogadishu Seaport vehicles is in place and adhered to.

All Mogadishu Seaport vehicles are recorded in the in the fixed asset register as above.

15.3.4.2 Observations

During the 2018 audit there was a car for Mogadishu Seaport, Toyota Hilux proof with chassis Ir. is MROHX8CD8H0920046 which is not registered in the name of the Mogadishu Seaport.

15.3.4.3 Risks

Internal controls over the management of and movement of Mogadishu Seaport vehicles are very weak. Not all movements of MSP vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Mogadishu Seaport vehicles may be diverted for private use and benefit at the expense public finances of the FGS.

15.3.4.4 Recommendations

All Mogadishu Seaport vehicles should have log books and registered in the name of MSP, and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all Mogadishu Seaport vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

15.4 Internal Audit

15.4.1 Regularity of Internal Audit

15.4.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

15.4.1.2 Observations

In 2018 it was noted that the Ministry neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in Mogadishu Seaport.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

15.4.1.3 Risks

Without regular internal audits conducted in Mogadishu Seaport, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in Mogadishu Seaport, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in Mogadishu Seaport may take long to be detected for prompt remedial action.

15.4.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Planning.

In the meantime, Mogadishu Seaport should take necessary steps to ensure periodic internal audits are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and policies of Mogadishu Seaport.

SOMALI PRISON FORCES

16 SOMALI PRISON FORCES

16.1 Financial Reporting

16.1.1 No annual accounts submitted for audit for FY 2018

16.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

16.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Somali Prison Forces, as an entity, is required by law to submit annual accounts, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

16.1.1.3 Risks

The Somali Prison Forces has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, parliament may not be able to exercise its financial oversight of the Somali Prison Forces in a timely manner.

Furthermore, the Somali Prison Forces may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

16.1.1.4 Recommendations

The Somali Prison Forces should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Somali Prison Forces, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

16.2 Legal and Regulatory Aspects

16.2.1 Laws and regulations for the Somali Correctional & Custodian Forces

16.2.1.1 Best Practice

There is a specific law and regulations for the Somali Correctional and Custodian Forces (Somali Prison Force) of the Federal Government of Somalia.

The law and regulations specify the mandate and responsibilities of the army, the command structure of the army among other matters.

There are written policies and regulations for management of personnel of Somali Prison Force, defining personnel management of the Somali Prison Force, salaries, allowances and entitlements, discipline among others.

16.2.1.2 The Provisional Constitution

Article 126 (1) of the Provisional Constitution states that “The Federal Government shall guarantee the peace, sovereignty and national security of the Federal Republic of Somalia and the safety of its people through its security services, including:

- (a) The armed forces;
- (b) The intelligence services;
- (c) The police force; and
- (d) The Somali Prison Force.**

Article 126 (2) of the Provisional Constitution states further that: “The deployment of the security forces shall be determined by law”.

Article 130 of the Constitution on Security Agencies Laws states that: “The two Houses of the Parliament shall enact a law governing the structure, functions and levels of the security agencies of the Federal Republic of Somalia”.

Further, Schedule one (D) of the Provisional Constitution identified priority laws to be enacted in the first term of the federal parliament as:-

- (15) A law in terms of Article 130, concerning the security forces;
- (17) A law in terms of Article 130, regulating the structure and functions of the federal police;
- (18) A law in terms of Article 130, regulating the relationships between the federal police service and the police services of the Federal Member States;

16.2.1.3 Observations

The Somali Prison Force operates under the old law. The law was enacted at the time Somalia was a unitary state; now it is a federal state.

There is no law and regulations defining formally the structure and functions of the Somali Prison Forces.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There is lack of clarity on the mandates and formal relationships between the Somali Prison Force, the Prison Forces of the Federal Member States and Benadir Regional Administration (BRA).

16.2.1.4 Risk

The outdated law and regulations may be inappropriate for the management and deployment of Prison Forces personnel at a time Somalia is a Federal Republican State.

16.2.1.5 Recommendation

Parliament should take appropriate steps to enact a new law and regulation for Somali Prison Force since Somalia is now a Federal Republic.

16.3 Human Resources Management

16.3.1 Personnel database for the Somali Prison Force

16.3.1.1 Best Practice

There is in place a system for maintaining personnel details of all personnel of Somali Prison Force.

The personnel database contains all necessary identification details of each personnel as to date of birth, education attained, duty station, rank, salary grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number, next kin, parents, etc.

A computerized personnel database enhances credibility and security of personnel data and for easy linkage to the payroll processing. It also enables the use of biometric system and enhances payroll controls.

The computerized database of personnel is linked to the payroll processing system so that those who are paid monthly salaries and allowances are actually in active service with the army.

16.3.1.2 Observations

There is no computerized database of personnel of the Somali Prison Force. Only lists containing names of Somali Prison Force personnel are kept in spreadsheets. These are vulnerable to risks of errors and manipulations.

Somali Prison Force personnel have ID numbers but these do not identify active and non-active personnel.

The exact number of personnel is yet to be determined. Reconciliation process is not still started, and there is no data captured with the Ministry of Justice.

16.3.1.3 Risks

The lack of a computerized database increases the risk of “ghost personnel” being included in the payroll, and increases the risk of errors, omissions and commissions in the payroll preparation.

The exact number of personnel of Somali Prison Force currently cannot be confirmed independently for effective payroll management.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

16.3.1.4 Recommendations

The Ministry of Justice with support of the Somali Prison Force and relevant institutions should establish a computerized database for all personnel.

The database should have personnel details such as: name, date of birth, education attained, duty station, rank, salary grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number etc.

Use a biometric system when developing the database. Thereafter, conduct a comprehensive physical count of the personnel to re-validate the database.

16.3.2 Physical Verification of personnel

16.3.2.1 Best Practice

Periodic verification of personnel is carried out, recorded in and reconciled with the computerized personnel database.

Any discrepancies between the database and physical counts are investigated and resolved promptly.

The updated and reconciled computerized database is used as the basis for preparing payrolls.

16.3.2.2 Observations

Although there have been periodic physical counts of Somali Prison Force personnel in the past, the results of the counts have not been validated with a computerized personnel database.

The personnel data of the Somali Prison Force is neither under the supervision of nor under the control of the Ministry of Justice.

16.3.2.3 Risks

If there is neither a computerized database nor periodic verification/registration of personnel, then internal controls to ensure eligible personnel of Somali Prison Force are paid are highly compromised.

There is a risk that “ghost personnel” are paid salaries and allowances.

16.3.2.4 Recommendations

Establish a computerized personnel database, and update it with periodic physical counts of personnel to remove “ghost personnel”.

The payroll process should then be linked to the database to ensure that only Somali Prison Force personnel in the database are paid salaries and allowances.

16.4 Payroll Preparation and Management

16.4.1 Adequacy of segregation of responsibilities in the payroll process

16.4.1.1 Best Practice

There is adequate segregation of responsibilities for payroll initiation, processing, checking, approval and final authorization of payroll sheets.

These responsibilities are performed by independent and responsible officers of the SPF.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

The payroll system is computerized, all processes are documented with adequate audit trails for future follow up and review.

All changes in the payroll are approved by a senior responsible officer in a timely manner.

There is an approved documented payroll management and procedures manual or guidance for the payroll.

Salaries should be based on approved staff grades specifically for the Prison Force. This is documented in laws, regulations for the Somali Prison Force.

16.4.1.2 Observations

The FGS uses the SFMIS for processing payroll. However, there are still manual payroll procedures that are performed outside SFMIS for the Somali Prison Force. Thus, the payroll system is not fully automated as there are still some manual procedures performed outside SFMIS.

Preparation of payrolls is not directly linked to a personnel database as none currently exists. The payroll of the previous month is rolled forward, and updated with new changes using spreadsheets.

There was no evidence that payroll sheets are reviewed and whether computations are checked for arithmetical accuracy before they are authorized by a senior responsible officer for payment.

There are no documented and approved payroll management procedures with detailed procedures for initiating payroll process, ensuring employees are paid for days worked, ensuring correct payroll computation, and assigning responsibilities for various stages in the payroll process up to the point of effecting salary disbursements.

16.4.1.3 Risks

Misstatements and variances within the salary processing paper works can take long time to identify they can also cause loss of finances to the FGS.

Lack of formal payroll processing management information, subject to internal controls relating to preparing the payroll and authorizing the payments may be surpassed and wrongly edited.

It is important at beginning of the payroll process to go through preparing; counterchecking, authorization, confirming and finally payroll processing paperwork shall be made by an independent officer solely responsible. If there are no adequate delegations of responsibilities for verifying the payroll, it can be easily manipulated which can cause financial loss to the FGS.

16.4.1.4 Recommendations

All payroll sheets should be reviewed, checked for arithmetical accuracy and stamped before they approved for payment of salaries.

Develop an approved detailed payroll management procedure to guide payroll preparation and ensure adequate internal controls are in-built to prevent payroll losses through errors, omissions and commissions.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

16.4.2 Automation of payroll processes

16.4.2.1 Best Practice

There is a computerized payroll system using well established and recognized software to provide reasonable assurance on the integrity of data processing.

The entire payroll system is fully digitized and linked to a computerized personnel database to ensure only active personnel are paid salaries and allowances.

The payroll sheets should be formally authorized by a senior responsible officer either in the computerized system or manually and retained for future reference.

All changes in the payroll approved by a senior responsible officer with a written authorization to that effect.

16.4.2.2 Observations

The FGS uses the SFMIS for processing payroll. However, there are still manual payroll procedures that are performed outside SFMIS for the Somali Prison Force. Thus, the payroll system is not fully automated as there are still some manual procedures performed outside SFMIS.

Preparation of payrolls is not directly linked to a computerized personnel database as none currently exists.

The payroll of the previous month is rolled forward, and updated with new changes using spreadsheets.

16.4.2.3 Risks

Errors, omissions and commissions are likely to occur where payroll processing is fully automated.

In the absence of regular payroll audits, payroll irregularities may take longer to be detected and corrected.

16.4.2.4 Recommendation

Preparation of the payroll should be fully automated and linked to a computerized personnel database.

16.4.3 Means by which salaries are paid to Somali Prison Force personnel

16.4.3.1 Best Practice

All salaries and allowances are paid directly to bank accounts of Somali Prison Force personnel.

Payment of salaries and allowances by cash is done on exceptional circumstances after following defined and approved procedures.

16.4.3.2 Observations

For cash payments, there is no developed detailed and approved procedures to be followed and monitored closely.

For all cash payments, there is no establish procedures for independent verifications to ensure that only eligible personnel are only paid.

16.4.3.3 Risks

Salary payments by cash have higher risk of errors, commissions, frauds, waste and abuse.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Furthermore, salaries and allowances may be paid to those who are not entitled, or diverted to private use

16.4.3.4 Recommendation

All salary payments to be made directly to bank accounts of personnel.

For cash payments, developed detailed and approved procedures to be followed and monitored closely.

For all cash payments, establish procedures for independent verifications to ensure that only eligible personnel are only paid.

16.5 General Financial Management

16.5.1 Running Cost payments do not have adequate supporting documents

16.5.1.1 The law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, acknowledgement receipts, etc.

16.5.1.2 Observations

There were some payments that were made during the year that were not fully supported.

There was a payment totaling US \$3,079,914.00 from January to November, it was charged from sub-head (2211, 2213, 2214, 2215, 2256 iyo 2261) was been paid to Bukaari Logistic Company, also there were no supporting documents.

16.5.1.3 Risks

Some of the payments might have not been used what it was budgeted for.

Some of the payments might have been made by error or by commissions resulting into a financial loss to the FGS.

16.5.1.4 Recommendations

All payments must have adequate supporting documents, properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped “PAID” as soon as payments have been affected to prevent their use in support of further payments.

16.5.2 Health Expenses do not have adequate supporting documents

16.5.2.1 The law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, acknowledgement receipts, etc.

16.5.2.2 Observations

There were some payments that were made during the year that were not fully supported.

There was a payment totaling US \$110,000.00 from January to November, it was charged from sub-head 2251 which did not have supporting documents.

16.5.2.3 Risks

Some of the payments might have not been used what it was budgeted for.

Some of the payments might have been made by error or by commissions resulting into a financial loss to the FGS.

16.5.2.4 Recommendations

All payments must have adequate supporting documents, properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped "PAID" as soon as payments have been affected to prevent their use in support of further payments.

16.5.3 Travel expense do not have adequate supporting documents

16.5.3.1 The law

Law no. 2 of the "Financial & Accounting Procedure of the State" of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, acknowledgement receipts, etc.

16.5.3.2 Observations

Under the budget line for travel costs, a total amount of US \$10,083.00 was spent as travel costs without adequate supporting documents.

These payments were made to various recipients, a travel agent and a hotel.

The payments did not have one or more of the following supporting documents such as:

- ✓ purchase orders and or boarding passes for the travel;
- ✓ evidence of authorization for travels made;
- ✓ supplier invoices or receipts;
- ✓ approved accountabilities for the travels made; or
- ✓ names and signatures of those who received travel advances.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

16.5.3.3 Risks

Some payments were made for travels that never made, or some payments have been made by error, omission, or commissions resulting into a financial loss to the FGS.

16.5.3.4 Recommendations

All payments must have adequate supporting documents, properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped “PAID” as soon as payments have been affected to prevent their use in support of further payments.

16.6 Asset Management

16.6.1 Fixed Asset Management Policy Guidelines

16.6.1.1 Best Practice

All vehicles of Somali Prison Force have log books and the vehicles are registered in the name of the SPF.

There is a comprehensive and approved vehicle management policies and procedures.

All SPF vehicles are recorded in the fixed asset register, either at the Ministry of Justice or with the Ministry of Finance if a centralized register has been established.

There should be documented policy guidelines for procurement and acquisition; deployment, use and disposal of fixed assets of Prison Force.

There should be policy guidelines on how these assets are to be stored and used and their subsequent disposal.

16.6.1.2 Observations

There is currently no approved policy document for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current laws are silent on these matters, it is not clear who is ultimately responsible for these fixed assets of the FGS. Similarly, there is no law and regulations for the Somali Prison Force.

16.6.1.3 Risks

Internal controls over management of fixed assets are weakened as responsibilities are not specifically defined.

Consequently, losses of fixed assets of the SPF may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

16.6.1.4 Recommendations

Comprehensive policy guidelines for management, control and reporting of fixed assets should be developed and implemented.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

The Ministry of Justice should take a lead in developing the policy guidelines for the management of all assets including vehicles for implementation.

16.6.2 Adequacy of fixed asset registers

16.6.2.1 Best Practice

The main assets of the SPF comprise military and non-military items.

The military items include but not limited to the following: - Military vehicles; gunship helicopters, gunship boats etc; Rifles and bullets; Military communication gadgets; and other ammunitions by whatever descriptions.

The non-military assets include the following: - civilian vehicles; furniture and other equipment, computers; etc.

There are proper records (fixed asset register) for all assets maintained and kept up to-date at all times.

The fixed asset register is preferably computerized and kept updated. If fixed asset registers or stock cards are maintained manually for all assets should be comprehensive and adequate.

Each asset is assigned a unique identification number and asset records indicate responsible officer in case it has been issued out.

Regular physical counts of assets are conducted and the results should be documented in the register.

16.6.2.2 Observations

There is currently no fixed asset register for Somali Prison Force.

There is no evidence that fixed assets of the SPF were recently verified physically to ascertain their existence, condition, value and location among other matters.

During the audit, we were not provided with land titles for land properties occupied by the .

Also, we were not provided with the documents of the land owner by Somali Prison Forces that they reported was used privately. Some of the land of SPF was used privately without approval.

16.6.2.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the SPF cannot be independently confirmed.

Losses of fixed assets of the SPF may take long to be detected and recovered.

The assets of SPF could be diverted for private use.

16.6.2.4 Recommendations

The authorities of the SPF should establish two fixed asset registers of fixed assets, one for military items, and the other for non-military items. The registers should clearly be distinguishable – one for military, and the other for non-military assets. Ensure particulars of all fixed assets are entered into the registers and updated on a periodic basis.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Conduct periodic physical verification of fixed assets, in particular the military and non-military assets and update respective fixed asset registers.

16.7 Vehicle Management

16.7.1 Adequacy of procedures for vehicle management

16.7.1.1 Best Practice

All vehicles of Somali Prison Force have ownership books and are registered.

There is a comprehensive and approved vehicle management policy and procedures.

All military vehicles are recorded in the fixed asset register, either at the Agency or with the Ministry of Finance if a centralized register has been established.

16.7.1.2 Observations

During the course of our audit we noted that there were several vehicles used by the Somali Prison Force but we were not provided with their books to confirm ownership.

Many of the vehicles were held by different groups without adequate documentation.

Due to sensitivity of the matter, we did not conduct a comprehensive review of all vehicles used by the SPF

The management of the Somali Prison Force shared with the audit team 30 vehicle and 1 motorcycle where it was physically verified 26 vehicles and 1 motorcycle, the remaining 4 vehicles was not brought for physical verification.

The table below shows the details of the vehicles: -

No	Vehicle type	Source of vehicle	Chassis No	Controlled by the Agency	Comments
1	TOYOTA HILUX	Bought by Prison Forces	MROFZ22G301177031	Yes	Physically verified by the auditors
2	TOYOTA HILUX	Unknown	It cannot be seen clearly	Yes	Physically verified by the auditors
3	TOYOTA PICKUP FORD	Unknown	AFAFP2LP7LJE70600	Yes	Physically verified by the auditors
4	TOYOTA PICKUP FORD	Unknown	MS5LMNF80KM874683	Yes	Physically verified by the auditors
5	TOYOTA PICKUP FORD	Unknown	MS5LMNF80KM884118	Yes	Physically verified by the auditors
6	NEOPLAN (BUSS)	German Government	WAG203142WPS28300	Yes	Physically verified by the auditors
7	MFD (BUSS)	Banadir Regional Authority	LKLR1FSE47B002788	Yes	Physically verified by the auditors
8	MFD (BUSS)	Banadir Regional Authority	LKLR1FSF59B002696	Yes	Physically verified by the auditors
9	MFD (BUSS)	Banadir Regional Authority	LKLR1FSF19SP85029	Yes	Physically verified by the auditors
10	COASTER (BASS)	Office of the President	It cannot be seen clearly	Yes	Physically verified by the auditors
11	COASTER (BASS)	Bought by Prison Forces	It cannot be seen clearly	Yes	Physically verified by the auditors
12	COASTER (BASS)	Bought by Prison Forces	It cannot be seen clearly	Yes	Physically verified by the auditors
13	COASTER	Bought by	It cannot be seen clearly	Yes	Physically verified by

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

No	Vehicle type	Source of vehicle	Chassis No	Controlled by the Agency	Comments
	(BASS)	Prison Forces			the auditors
14	FORD AMBULANCE	Unknown	It cannot be seen clearly	Yes	Physically verified by the auditors
15	TOYOTA AMBULANCE	Unknown	JTGRB71J14880	Yes	Physically verified by the auditors
16	TOYOTA LAND CRUISER	SNA	JTELB71J50700357	Yes	Physically verified by the auditors
17	TOYOTA LAND CRUISER	SNA	JTELB71J507007357	Yes	Physically verified by the auditors
18	TOYOTA LAND CRUISER	SNA	It cannot be seen clearly	Yes	Physically verified by the auditors
19	TOYOTA LAND CRUISER	SNA	It cannot be seen clearly	Yes	Physically verified by the auditors
20	TOYOTA LAND CRUISER	SNA	It cannot be seen clearly	Yes	Physically verified by the auditors
21	TOYOTA LAND CRUISER	Bought by Prison Forces	Not seen	No	Not physically verified by the auditors
22	TOYOTA LAND CRUISER	Unknown	Not seen	No	Not physically verified by the auditors
23	TOYOTA LAND CRUISER	Unknown	Not seen	No	Not physically verified by the auditors
24	FOTON (ISKA-ROGE)	Unknown	It cannot be seen clearly	Yes	Physically verified by the auditors
25	TOYOTA NOAH	Bought by Prison Forces	It cannot be seen clearly	Yes	Physically verified by the auditors
26	TOYOTA AIRTOP	Unknown	JTEEB71J807028888	Yes	Physically verified by the auditors
27	UD	SNA	It is not visible	Yes	Physically verified by the auditors
28	NISSAN (BOOYAD)	Ministry of Transport	CM87FE-42371	Yes	Physically verified by the auditors
29	NISSAN (BOOYAD)	SPF	FB1JJDID2606763	Yes	Physically verified by the auditors
30	XL150ZH (MOOTO)	Bought by Prison Forces	LLJZHKB310000003	Yes	Physically verified by the auditors
31	ISKA-ROGE	Unknown	Not seen	No	Not physically verified by the auditors

16.7.1.3 Risks

Internal controls over the management of and movement of vehicles is very weak.

Not all movements of vehicles could be accounted for with reasonable certainty.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Some of the vehicles could be diverted for private use.

16.7.1.4 Recommendations

There should be detailed procedures developed and approved by responsible authorities for the management of all vehicles wherever held.

All vehicles of the Somali Prison Force should have log books in the name of the Somali Correctional and Custodian Force (Somali Prison Force) and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Conduct periodic physical verification of all vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

16.8 Internal Audit

16.8.1 Regularity of internal audit

16.8.1.1 Best Practice

There are regular internal audits conducted and reports produced.

There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

16.8.1.2 Observations

During the audit it was noted that Prison Force neither has an internal audit unit nor function.

There were no periodic internal audits conducted in the Prison Force.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

16.8.1.3 Risks

Without regular internal audits conducted in the Prison Force, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Prison Force, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

16.8.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Planning.

In the meantime, take necessary steps to ensure periodic internal audits of the Prison Force are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Prison Force policies.

16.9 Procurement Management

16.9.1 Whether procurement laws are followed by Somali Prison Force

16.9.1.1 The law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including Somali Prison Force.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

16.9.1.2 Observation

The Somali Prison Force did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

16.9.1.3 Risks

The SPF is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

16.9.1.4 Recommendations

The Somali Prison Force must comply with the procurement law and regulations without exception.

The MoJ should ensure that all contracts of the Somali Prison Force above the minimum threshold for procurements are reviewed, approved and submitted to Ministry of Finance by the Ministry of Justice. Such contracts are to be registered with the Office of the Auditor General.

The Ministry of Finance should enforce procurements for Somali Prison Force that are above the minimum threshold are handled through the Ministry without exception.

OFFICE OF THE PRIME MINISTER

17 OFFICE OF THE PRIME MINISTER

17.1 Financial Reporting

17.1.1 No annual accounts submitted for audit for FY 2018

17.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

17.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Office of the Prime Minister, as an entity, is required by law to submit annual accounts, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

17.1.1.3 Risks

The Office of the Prime Minister has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, parliament may not be able to exercise its financial oversight of the Office of the Prime Minister in a timely manner.

Furthermore, the Office of the Prime Minister may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.1.1.4 Recommendations

The Office of the Prime Minister should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Office of the Prime Minister, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

17.2 General Financial Management

17.2.1 Payments relating to travels not adequately supported

17.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

17.2.1.2 Observations

Under the budget line for travel costs, a total amount of US \$403,333.37 was paid between January and November in 2018 as travel costs without adequate supporting documents.

These payments were made to various recipients, a travel agent and hotels. The payments did not have one or more of the following supporting documents such as: (a) approved purchase orders and or boarding passes for the travel; (b) evidence of authorization for travels made; (c) supplier invoices or acknowledgement receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances.

17.2.1.3 Risks

Some payments were made for travels that never made, or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

17.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.2.2 There are weak commitment controls

17.2.2.1 Best Practice

There are strong commitment controls to prevent expenditure payment arrears. All commitments of funds are based on available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

Where commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, periodic surveys are undertaken, arrears are collated periodically (preferably on a quarterly basis), monitored and reported periodically.

17.2.2.2 Observations

Some commitments of funds in the OPM were made outside SFMIS by way of issuing orders for supply of goods and services.

The OPM did not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

There was no evidence that the OPM conducts surveys of outstanding commitments and arrears on a periodic basis.

17.2.2.3 Risks

There is a risk that a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the OPM may not show a true and fair position and results when prepared.

17.2.2.4 Recommendations

No commitment of funds should be made outside the SFMIS.

Establish strong commitments controls in the SFMIS and ensure all commitments are entered into SFMIS promptly.

Ensure all commitment of funds should be made against available funds in the SFMIS, and no commitments should be made without available funds.

Conduct regular stock take of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

17.3 Asset Management

17.3.1 There is no fixed asset register

17.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at OPM level or at a centralized level, in the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

17.3.1.2 Observations

There is no fixed asset register in the Office of the Prime Minister.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the OPM were physically verified recently to ascertain their existence, condition, value and location among other matters.

17.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of OPM cannot be independently confirmed.

Losses of fixed assets of OPM may take long to be detected and recovered. The assets of OPM could be diverted for private use.

17.3.1.4 Recommendations

OPM should establish a comprehensive register of fixed assets with clear guidelines, and share with OPM to ensure particulars of all fixed assets of OPM are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

17.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

17.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the OPM.

There are also policy guidelines and procedures on storage and accounting for these assets.

17.3.2.2 Observations

There is currently no approved documented policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of OPM may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

17.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing policy guidelines and procedures for all ministries, departments and agencies including the OPM to follow.

17.3.3 There is no office equipment register of OPM

17.3.3.1 The Law and Best Practice

The Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining up-to-date records of equipment of government offices including goods in the stores.

All office equipment of OPM is recorded in the fixed asset register.

Such register should have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the OPM is assigned a unique identification number (tagged) for easy identification.

17.3.3.2 Observations

There is no register of fixed assets in OPM for recording office equipment and stores of government.

Office equipment of OPM are not tagged with unique identification numbers for easy identification.

There was no evidence that OPM carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

17.3.3.3 Risks

In the absence of a register of fixed assets in OPM or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to OPM.

17.3.3.4 Recommendations

The OPM should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

All assets, including office equipment of OPM should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

17.3.4 **There are weak controls over vehicle management**

17.3.4.1 **Best Practice**

All vehicles of OPM have log books, and vehicles are registered in the name of the OPM.

An approved policy for management of ministry vehicles is in place and adhered to.

All OPM vehicles are recorded in the in the fixed asset register as above.

17.3.4.2 **Observations**

There were several vehicles reportedly belong to the Office of the Prime Minister but were not registered in the name of the OPM.

The management of the OPM provided a list of 9 vehicles to the audit team but there were no books for vehicles.

All vehicles are not registered in the the name of the OPM.

There are vehicles that was used privately although there was no official transfer of the vehicles.

List of OPM vehicles

No	Vehicle type	Source of vehicle	Chassis No	Weather they are in the hands of OPM
1.	Toyota Hilux	World Bank	KUN25L-PRMDHV	Yes
2	Toyota Hilux	World Bank	KUN25L-PRMDHV	Yes
3	Toyota South Africa	Not clear	LAN50L-NKMSEN	Yes
4	Toyota Prado	World Bank	LJ150L-GKMEE	Yes
5	Toyota Surf	Bought by OPM	LA-RZN215W-GKPXK	Yes
6	Toyota Land Cruiser	UNDP	VDJ200L-GNTNZV	Yes
7	Toyota Hilux	World Bank	Not verified	Yes
8	Toyota Hilux	Not clear	KUN25L-PRMDHV	Yes
9	Toyota Land Cruiser	Not clear	VDJ200L-GNTNZV	Yes

17.3.4.3 **Risks**

Internal controls over the management of and movement of OPM vehicles are very weak. Not all movements of OPM vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

OPM vehicles may be diverted for private use.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.3.4.4 Recommendations

All OPM vehicles should have log books; registered in the name of the OPM and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all OPM vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

17.4 Registration of Contracts

17.4.1 Contracts were not registered with the Office of the Auditor General during the year.

17.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”.

17.4.1.2 Observations

The table below shows 5 contracts the OPM entered into with other parties during 2018 that were not registered with the Office of the Auditor General. These were: -

Contracts with other parties

No	Parties to the contracts	Purpose of the Contracts	Contract duration	Amount US \$
1	OPM and Regional Suppliers Company	Procurement of goods	3 months to 11 months 2018	508,564.50
2	OPM and iyo Hoostada Farsamada Mataanaha	Car repair	11 months 2018	146,562.50
3	OPM and Ilsaf Logistics & Clearance	Procurement of goods	8 months 2018	80,000
4	OPM and Hass Company	Procurement of Fuel	9 months 2018	280,500.03
5	OPM and Golden Interiors	Renovation of OPM offices	2 months 2018	55,108
Total contract value				1,070,735.03

17.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm whether contract articles have been implemented and also those contracts were in the interest of FGS.

17.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.5 Internal Audit Function

17.5.1 There were neither internal audit function nor were internal audits conducted

17.5.1.1 Best Practice

There is an internal audit unit or function in place. There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

17.5.1.2 Observations

In 2018 it was noted that the Office of the Prime Minister neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in Office of the Prime Minister.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

17.5.1.3 Risks

Without regular internal audits conducted, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

17.5.1.4 Recommendations

The Executive and Legislature should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including Office of the Prime Minister.

In the meantime, take necessary steps to ensure periodic internal audits are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and OPM policies.

17.6 Procurement Management

17.6.1 Whether OPM followed Procurement Law

17.6.1.1 The Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including OPM.

17.6.1.2 Observations

OPM did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

17.6.1.3 Risks

The OPM is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

17.6.1.4 Recommendation

The OPM must comply with the procurement law and regulations.

OFFICE OF THE PRESIDENT

18 OFFICE OF THE PRESIDENT

18.1 Financial Reporting

18.1.1 No annual accounts submitted for audit for FY 2018

18.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an ex-officio position, and submit to the Auditor General for audit.

18.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- vii. Statement of Receipts and Payments
- viii. Statement of Comparison of Budget and Actual Amounts;
- ix. Statement of Cash Flows
- x. Reconciliation of opening and closing bank and cash balances,
- xi. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Office of the President, as an Office, is required by law to submit annual accounts for audit considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

18.1.1.3 Risks

The Office of the President has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Office may fail in its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

18.1.1.4 Recommendations

The Office of the President should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

18.2 General Financial Management

18.2.1 Adequacy of Commitment Controls

18.2.1.1 Best Practice

There are strong commitment controls to prevent expenditure payment arrears. All commitments of funds are based on available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

Where commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, periodic surveys are undertaken, arrears are collated periodically (preferably on a quarterly basis), monitored and reported periodically.

18.2.1.2 Observations

Some commitments of funds in the Office of the President were made outside SFMIS by way of issuing orders for supply of goods and services.

Office of the President did not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

There was no evidence that the OP conducts surveys of outstanding commitments and arrears on a periodic basis.

18.2.1.3 Risks

There is a risk that a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the OP may not show a true and fair position and results when prepared.

18.2.1.4 Recommendations

No commitment of funds should be made outside the SFMIS.

Establish strong commitments controls in the SFMIS and ensure all commitments are entered into SFMIS promptly.

Ensure all commitment of funds should be made against available funds in the SFMIS, and no commitments should be made without available funds.

Conduct regular stock take of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

18.3 Asset Management

18.3.1 There is no fixed asset register

18.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at OP level or at a centralized level, in the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

18.3.1.2 Observations

There is no fixed asset register in the Office of the President.

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the OP were physically verified recently to ascertain their existence, condition, value and location among other matters.

18.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of OP cannot be independently confirmed.

Losses of fixed assets of OP may take long to be detected and recovered.

The assets of OP could be diverted for private use.

18.3.1.4 Recommendations

Office of the President should establish a comprehensive register of fixed assets with clear guidelines, and share with OP to ensure particulars of all fixed assets of OP are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

18.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

18.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the OP.

There are also policy guidelines and procedures on storage and accounting for these assets.

18.3.2.2 Observations

There is currently no approved documented policies and procedures for asset management in the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

18.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of OP may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

18.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing policy guidelines and procedures for all ministries, departments and agencies including the OP to follow.

18.3.3 There is no register for office equipment of Office of the President

18.3.3.1 The Law and Best Practice

The Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 requires maintaining up-to-date records of equipment of government offices including goods in the stores.

All office equipment of OP is recorded in the fixed asset register.

Such register should have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the OP is assigned a unique identification number (tagged) for easy identification.

18.3.3.2 Observations

There is no register of fixed assets in OP for recording office equipment and stores of government.

Office equipment of the OP are not tagged with unique identification numbers for easy identification.

There was no evidence that OP carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

18.3.3.3 Risks

In the absence of a register of fixed assets in OP or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

It may be difficult to identify independently office equipment that belongs to OP.

18.3.3.4 Recommendations

The OP should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of OP should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

18.4 Internal Audit

18.4.1 Regularity of internal audit

18.4.1.1 Best Practice

There is an internal audit unit or function in place. There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

18.4.1.2 Observations

In 2018 it was noted that the Office of the President neither had an internal audit unit nor internal audit function.

There were no periodic internal audits conducted in Office of the President.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

18.4.1.3 Risks

Without regular internal audits conducted, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

18.4.1.4 Recommendations

The Executive and Legislative should ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including Office of the President.

In the meantime, take necessary steps to ensure periodic internal audits are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and OP policies.

HOUSE OF THE PEOPLE – LOWER HOUSE

19 HOUSE OF THE PEOPLE –LOWER HOUSE

19.1 Financial Reporting

19.1.1 No annual accounts submitted for audit for FY 2018

19.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended in 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

19.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Secretariat of the House of the People (Lower House), as an entity, is required by law to submit annual accounts, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

19.1.1.3 Risks

The Secretariat of the House of the People (Lower House) has not complied with the law. Without audited accounts of the Secretariat of the House of the People within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Secretariat of the House of the People (Lower House) may fail its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

19.1.1.4 Recommendations

The Secretariat of the House of the People (Lower House) should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Secretariat of the House of the People, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

19.2 General Financial Management

19.2.1 Total expenditure of US \$242,400.00 under Sub-head 2251 not fully supported

19.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include patient request, approval, health documents, invoices and acknowledgement receipts.

19.2.1.2 Observations

There were payments that were made during the year of 2018 that were not fully supported.

Payments amounting to US \$242,400.00 were made to some members of the House of the People (Lower House of Parliament) from Sub-head No. 2251 sub-head which were not fully supported.

There were no medical forms or reports to support medical expenses, there were no medical clearances for medical treatment, no accountabilities for medical advances, etc.

19.2.1.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

19.2.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

19.2.2 Unauthorized Internal re-allocation of funds – US \$362,000.00

19.2.2.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the Minister of Finance approves, then the changes be affected.

19.2.3 Observations

During the audit course we noted that funds budgeted for Sub-head 2261 was used for other expenditure like renovation and rent that were not originally budgeted for. The total amount in question was US \$362,000.00

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was obtained.

19.2.3.1 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

19.2.3.2 Recommendation

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

19.2.4 Travel costs of US 366,351.00 lack adequate supporting documents

19.2.4.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

19.2.4.2 Observations

Under the sub-head for travel costs, a total amount of US \$ 366,351 was spent as travel costs without adequate supporting documents.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

These payments were made to various recipients, a travel agent and hotels. The payments did not have one or more of the following supporting documents such as: (a) approved local purchase for the tickets; (b) evidence of authorization for travels made; supplier invoices and or acknowledgement receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances in cases of travel advances made.

19.2.4.3 Risks

Some payments were made for travels that never made, or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

19.2.4.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

19.3 Asset Management

19.3.1 There is no Fixed Asset register

19.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the House of the People level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

19.3.1.2 Observations

There is no fixed asset register for the Secretariat of the House of the People (Lower House).

The Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Secretariat of the House of the People (Lower House) were physically verified recently to ascertain their existence, condition, value and location among other matters.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

19.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Secretariat of the House of the People (Lower House) cannot be independently confirmed.

Losses of fixed assets of the Secretariat of the House of the People (Lower House) may take long to be detected and recovered. The assets of the Secretariat of the House of the People (Lower House) may be diverted for private use.

19.3.1.4 Recommendations

Secretariat of the House of the People should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Secretariat of the House of the People (Lower House) are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

19.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

19.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets.

There also policy guidelines and procedures on storage and accounting for these assets.

19.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

19.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Secretariat of the House of the People (Lower House) may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

19.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Secretariat of the House of the People (Lower House) to follow.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

19.3.3 **No register for office equipment of the Secretariat for the House of the People**

19.3.3.1 **The Law and Best Practice**

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Secretariat of the House of the People (Lower House) is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Secretariat of the House of the People (Lower House) is assigned a unique identification number (tagged) for easy identification.

19.3.3.2 **Observations**

There is no register of fixed assets for recording office equipment and stores of government.

Office equipment of the Secretariat of the House of the People (Lower House) is not tagged with unique identification numbers for easy identification.

There was no evidence that the Secretariat of the House of the People (Lower House) carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

19.3.3.3 **Risks**

In the absence of a register of fixed assets or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to The Secretariat of the House of the People (Lower House).

19.3.3.4 **Recommendations**

The Secretariat of the House of the People (Lower House) should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Secretariat of the House of the People (Lower House) should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

19.3.4 **There are weak controls over vehicles of the Secretariat of Lower House of the Parliament**

19.3.4.1 **Best Practice**

All vehicles of the Secretariat of the House of the People (Lower House) have log books, and vehicles are registered in the name of the Secretariat of the House of the People (Lower House).

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

An approved policy for management of vehicles is in place and adhered to.

All vehicles are recorded in the in the fixed asset register as above.

19.3.4.2 Observations

During the course of the audit, the management of The Secretariat of the House of the People (Lower House) were not able to produce for our audit a list of all their vehicles and log books of the vehicles for our verification. None of the vehicles were physically produced for our inspection and physical verification.

19.3.4.3 Risks

Internal controls over the management of and movement of vehicles are very weak. Not all movements of vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

House of the People vehicles may be diverted for private use.

19.3.4.4 Recommendations

All vehicles should have log books and registered in the name of the House of the People (Lower House), and stored safely by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

19.4 Registration of Contracts

19.4.1 Contracts worth US \$2 million were not registered with the OAG

19.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that *“contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General”*.

19.4.1.2 Observations

The table below shows 10 financial contracts entered by the Secretariat of the Lower House and other parties which were not registered with the Office of Auditor General.

There were 9 contracts entered with companies related to procurement of goods and service. Of the 10 contracts, only 9 of them have monetary values attached to the contracts. The total value of the 9 contracts is US \$1,070,735.03 with different contract durations.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

1 contract was entered into with UNDP with the duration of 2 years for an amount of US \$ 603,167.

List of contracts for the Parliament

No	Contract parties	Purpose of contracts	Duration of contracts	Amount US \$
1	Parliament and Alxaramayn Stationary	Office Equipment	April up to Dec 2018	175,200
2	Parliament and Deh Construction & Logistic Co.	Petrol	January 2018 up to January 2019	328,320
4	Parliament and Hass Gas Company	Petrol-gasoline	January 2018 up to January 2019	
3	Parliament and Deh construction and Logistic Co.	House rent	January up to December 2018	12,000
4	Parliament and Deh construction and Logistic Co.	House rent for the 2 nd Deputy Speaker of Parliament	January 2018 up to December 2021	96,000
5	Parliament and Jilaal Super Marked	Food Purchase for the Parliament	January up to December 2018	421,560
6	Parliament and Sawaasiya General Service Co.	Renovation and Decorations of offices for Parliament	April 2018 up to March 2019	150,000
7	Parliament and Najax construction, Logistic & General Service Co.	Logistic for renovation	April 2018 up to March 2019	156,510
8	Parliament and Daljir Trading & General Service	House construction for the Parliament Speaker	October 2018 up to February 2019	751,531
9	Parliament and UNDP	Supporting for the Parliament	January 2018 up to December 2019	603,167
10	Parliament and Daqare Travel Agency & Logistic	Ticket Purchase and renting airplanes for the Parliament	December 2017 up to November 2018	No amount mentioned
Total value of the contracts				\$2,694,121

19.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, is not able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

The Office of the Auditor General cannot confirm independently whether contract articles have been implemented and whether contracts were in the interest of FGS.

19.4.1.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

19.5 Internal Audit

19.5.1 Regularity of Internal Audit

19.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

19.5.1.2 Observations

In 2018 it was noted that there is no internal audit function and internal audits were not conducted.

There were no periodic internal audits conducted in the Secretariat for the Lower House.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

19.5.1.3 Risks

Without regular internal audits conducted, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted of the Secretariat for the Lower House, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Secretariat for the Lower House may take long to be detected for prompt remedial action.

19.5.1.4 Recommendations

The Executive and Legislative should take steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Secretariat for the Lower House.

In the meantime, take necessary steps to ensure periodic internal audits are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and the policies of the Secretariat for the Lower House.

19.6 Procurement Management

19.6.1 The Secretariat of the House of People did not follow Procurement Law

19.6.1.1 The Law

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including the Secretariat for the Lower House.

19.6.1.2 Observation

The Secretariat for the Lower House did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

19.6.1.3 Risks

The Secretariat for the Lower House is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

19.6.1.4 Recommendations

The Secretariat for the Lower House should comply with the procurement law and regulations.

SENATE – UPPER HOUSE

20 SENATE – UPPER HOUSE

20.1 Financial Reporting

20.1.1 No annual accounts submitted for audit for FY 2018

20.1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law which was amended 1971 mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39. The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State” which was amended 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

20.1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts
- iii. Reconciliation of opening and closing bank and cash balances
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Secretariat of the Senate, as an entity, is required by law to submit annual accounts, considering in respect its appropriateness to the Parliament. To-date annual accounts for the FY 2018 are yet to be submitted to the Office of the Auditor General for audit.

20.1.1.3 Risks

The Secretariat of the Senate has not complied with the law. Without audited accounts of the Secretariat within the statutory timelines, Parliament may not be able to exercise its financial oversight of the Secretariat of the Senate in a timely manner.

Furthermore, Secretariat of the Senate may fail its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

20.1.1.4 Recommendations

The Secretariat of the Senate should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Alternatively, the Accountant General should prepare the accounts of the Secretariat of the Senate, and submit for audit as required by Article 41 of the law.

There is an urgent need for a major accounting reform led by the Accountant General. Important to adopt Cash-basis IPSAS as a starting point. This should be supported by developing a realistic plan for full compliance with Cash-basis IPSAS in the medium term.

20.2 General Financial Management

20.2.1 Unauthorized Internal re-allocation of funds – US \$145,500

20.2.1.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 and Article 16 states “if during the financial year it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (A)”

That law requires that if a government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the minister of finance approves, then the changes be affected.

20.2.1.2 Observation

During the audit we noted that budgeted funds in sub-heads of 2211, 2261, and 2251 for the Senate were used for expenditures that were not originally budgeted for. The total amount in question was US \$145,500.

The procedure described above law for internal re-allocation of funds was not followed since there was no evidence that the approval of the Minister of Finance was obtained.

Those payments were contrary to the law and procedure.

Summary of the payments – US \$145,500.00

No.	Sub-head	Used for	Amount US \$
1	2211, 2261	Allowance	16,000.00
2	2251	General services	129,500.00
Total			\$145,500.00

20.2.1.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

20.2.1.4 Recommendations

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized by the Minister of Finance.

20.2.2 The staff of the Upper House have not been enrolled with the National Civil Service Commission

20.2.2.1 The Law

Law no. 11 of December, 4 2006 for Somali Civil Servant requires that “all recruitment of employees should be followed the employment procedure of this law and other procedures that maybe made National Civil Service Commission.

20.2.2.2 Observations

The current staff working in the Secretariat for the Senate have not been registered with the National Civil Service Commission.

There were no personnel files for staff working in the Secretariat for the Senate.

20.2.2.3 Risk

It was difficult to determine who were eligible and number of civil service staff working in the Secretariat for the Senate (the Upper House of the Parliament) of the Federal Republic of Somali.

20.2.2.4 Recommendations

All staff of the Upper House should be enrolled with the National Civil Service Commission in order to be eligible staff of the Federal Government of Somali.

Completed staff files should be in place for future reference and verification exercises. The files should contain all information about personnel as required by law and regulations of the FGS.

20.2.3 Several payments were made without adequate supporting documents

20.2.3.1 The Law

The Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 requires that every payment shall have adequate supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

20.2.3.2 Observations

During the audit we noted one major payment which was without supporting documents amounting \$32,500.00 From January to December 2018 paid for health-related issues.

20.2.3.3 Risks

Some payments may be irregular, not properly authorised by responsible officers, and might have been made for goods and services not received by the Ministry.

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

20.2.3.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

20.2.4 Travel costs lack adequate supporting documents

20.2.4.1 The Law

Law no. 2 of the “Financial & Accounting Procedure of the State” of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes; goods received notes, acknowledgement receipts, etc.

20.2.4.2 Observations

Under the budget line for travel costs, a total amount of US \$34,167.00 was spent as travel costs without adequate supporting documents.

These payments were made to various recipients, a travel agent and hotels. The payments did not have one or more of the following supporting documents such as: (a) approved local purchase for the tickets; (b) evidence of authorization for travels made; (c) supplier invoices and or acknowledgement receipts; (d) approved accountabilities for the travels made; or (e) names and signatures of those who received travel advances in cases of travel advances made.

20.2.4.3 Risks

Some payments were made for travels that were never made; or some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

20.2.4.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

20.3 Asset Management

20.3.1 Lack of fixed Asset register

20.3.1.1 Best Practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

Preferably, a computerized fixed asset register is in place at the Upper House level or centralized level that is responsible by the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

20.3.1.2 Observations

There is no fixed asset register in the Ministry of Finance.

Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of the Upper House were physically verified recently to ascertain their existence, condition, value and location among other matters.

20.3.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the Upper House cannot be independently confirmed.

Losses of fixed assets of the Upper House may take long to be detected and recovered. The assets of the Upper House may be diverted for private use.

20.3.1.4 Recommendations

Upper House of the Parliament should establish a comprehensive register of fixed assets with clear guidelines to ensure particulars of all fixed assets of the Upper House are entered into the register and updated on a periodic basis.

The Ministry of Finance should establish a general register of national assets, also to conduct periodic physical verification and update the asset register.

20.3.2 There is no Fixed Asset Management Policy Guidelines & Procedures

20.3.2.1 Best Practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the Upper House.

There also policy guidelines and procedures on storage and accounting for these assets.

20.3.2.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

As the current law is silent on these matters, internal controls over the management assets are weak.

20.3.2.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the Upper House may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

20.3.2.4 Recommendations

A comprehensive policy guidelines and procedures for management, control and reporting of fixed assets should be developed and implemented.

The Ministry of Finance should take a lead in developing this policy guidelines and procedures for all ministries, departments and agencies including the Upper House to follow.

20.3.3 There is no register for office equipment of the Upper House

20.3.3.1 The Law and Best Practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the Upper House is recorded in the fixed asset register.

Such register have such details as the type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of the Upper House is assigned a unique identification number (tagged) for easy identification.

20.3.3.2 Observations

There is no register of fixed assets in Upper House for recording office equipment and stores of government.

Office equipment of the Upper House is not tagged with unique identification numbers for easy identification.

There was no evidence that the Upper House carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

20.3.3.3 Risks

In the absence of a register of fixed assets in the Upper House or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to the Upper House.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

20.3.3.4 Recommendations

Upper House should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment of the Upper House should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

20.4 Registration of Contracts

20.4.1 Contracts were not registered with the Office of the Auditor General

20.4.1.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State of 1961 make it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that “contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration with the Office of the Auditor General”.

20.4.1.2 Observation

During the year ended 31 December 2018, the Secretary General of the Senate did not register some contracts with the Office of the Auditor General.

Contracts of the Upper House

No	Contracts / MOUs	Purpose of the Contracts	Total value US \$
1.	The Senate & Doorbin Hotel	Hosting the Upper house when there are events	
2.	The Senate & Muraal General Service	–Office equipment and monthly rent	25,833.32
3	The Senate & Abdullahi Mohamed Osman	Rent - annually	60,000
4	The Senate & Hawo Tako Fuel Station	For supply of fuels etc - annually	165,000
5	The Senate & UNDP	Supporting Senate & Parliaments of the FMSs	454,500
6	The Senate & Chemonics International Inc “Chemonics”	For providing equipment for the Research Center and a training office	25,660
		Total	\$730,993.32

20.4.1.3 Risks

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

Office of the Auditor General cannot confirm independently whether contract articles have been implemented and also those contracts were in the interest of FGS.

20.4.1.4 Recommendations

The Secretary General of the Senate should ensure that all contracts are registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits of and report on the contracts.

Consolidated Compliance Audit Report – Non-Security Sector Entities

For the year ended 31 December 2018

20.5 Internal Audit

20.5.1 Regularity of internal audit

20.5.1.1 Best Practice

There are regular internal audits conducted and reports produced. There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

20.5.1.2 Observations

In 2018 it was noted that the Secretary General of the Senate has neither put in place an internal audit unit nor an internal audit function during the year.

There were no periodic internal audits conducted in the Secretariat of the Senate.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

20.5.1.3 Risks

Without regular internal audits conducted in the Secretariat for the Senate, there is a risk of non-compliance with laws, regulations, procedures and policies. Non-compliance with laws and regulations may take long to be detected for remedial action to be taken in a timely manner.

Without periodic internal audits conducted in the Secretariat of the Senate, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Secretariat of the Senate may take long to be detected for prompt remedial action.

20.5.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Finance.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.